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# FALL 2000 REVENUE SOURCES BOOK


Alaska Department of Revenue
Tax Division

**Tony Knowles, Governor**
**Wilson L. Condon, Commissioner**
**Dan E. Dickinson, Director**
**Charles Logsdon, Chief Petroleum Economist**

## KEY CONTACT PERSONS
## For Questions Related To This Forecast


Alaska Department of Revenue
Tax Division
Robert B. Atwood Building
Suite 500
Anchorage, Alaska 99501
(907) 269-1011 Voice
(907) 269-6644 Fax
http://www.tax.state.ak.us

Dan E. Dickinson, Director
(907) 269-1011
dan_dickinson@revenue.state.ak.us

Charles Logsdon, Chief Petroleum Economist
(907) 269-1019
charles_logsdon@revenue.state.ak.us

Denise Hawes, Economist/ Editor
(907) 269-1020
denise_hawes@revenue.state.ak.us


## KEY CONTACT PERSONS
## For Questions Related To Specific Topics In This Forecast


Constitutional Budget Reserve
Neil Slotnick
Alaska Department of Revenue
Treasury Division
(907) 465-4880
neil_slotnick@revenue.state.ak.us

Alaska Permanent Fund
Jim Kelly
Alaska Department of Revenue
Alaska Permanent Fund Corporation
(907) 465-2059
jkelly@alaskapermfund.com

Non-Petroleum Revenue
Brett Fried
Alaska Department of Revenue
Tax Division
(907) 465-3682
brett_fried@revenue.state.ak.us

Restricted General Fund Revenue
Brad Pierce
Office of the Governor
Management and Budget
(907) 465-4677
brad_pierce@gov.state.ak.us

STATE OF ALASKA

Department of Revenue

Office of the Commissioner

Tony Knowles, Governor

P.O. Box 110400
Juneau, Alaska 99811-0400
Telephone: (907) 465-2300
Facsimile: (907) 465-2389

December 12, 2000

The Honorable Tony Knowles
Governor of Alaska
P.O. Box 110001
Juneau, Alaska 99811-0001

Dear Governor Knowles:

Amusement parks are known for their roller-coaster rides but there's nothing amusing about the up-and-down ride for oil prices this year. Buyers on March 7 paid a 10-year high for Alaska North Slope crude at $32.30 a barrel, and then watched as the price fell to $22.10 on April 10. The roller-coaster cranked up again and topped out at a crest of $35.62 on Sept. 19 before aiming down another curve and hitting $25 on Monday. Dramatic price fluctuates of $10 a barrel in a month or two are bringing a stronger meaning to "market volatility."

That's all the more reason for the state to look at short- and long-term average prices, avoiding the rush to judgment of daily or even monthly fluctuations. I especially hope our friends in the news media pay attention to that statement. Instant headlines proclaiming "The Fiscal Gap is Gone" or "The Fiscal Gap is Back" do nothing to promote a long-term view of the state's economic health.

Thinking about Alaska's fiscal future, I have included in the Fall 2000 Revenue Sources Book an explanation of the importance of the Constitutional Budget Reserve to the state's economy and a discussion of our options for replacing that money when the CBRF hits empty. My decision to include information on the options is not intended as an endorsement of any one or a combination of choices. Instead, it is to help promote an understanding of how Alaska's economy works and what we might need to do in a few years to keep it working well.

We expect the CBRF will run out of money in December 2005. I know that is later than we forecast a year ago, two years, even five years ago, and I've also included a section in this booklet to explain: "Crying Wolf? A Brief History of Revenue Projections." The quick answer is that higher oil prices and budget cuts have extended the life of the reserve fund by several years.

This year's high oil prices are expected to help produce a state budget surplus of $116 million in Fiscal 2001, though the respite from draws on the CBRF will be short. We forecast a $514.5 million deficit in Fiscal 2002 and a $716.8 million draw in Fiscal 2003 as oil prices slide lower.

Which brings me to our annual fall oil price forecast. Acknowledging that Friday's spot market price for North Slope crude was $25.54 a barrel, the Department of Revenue forecasts the price will average $30.17 a barrel for Fiscal 2001. We say that based on the year-to-date average of $30.24, and based on futures market prices for the remainder of the fiscal year. Many in the oil industry expect prices to pick up again as winter weather drives up demand and as political issues in the Middle East continue to worry oil buyers.

The $30.17 average forecast for Fiscal 2001 is good news to Alaskans, who still depend on oil and gas tax and royalty revenue for most of the public services they have come to expect. It was just two years ago in Fiscal 1999 when North Slope crude hit its lowest point ever, averaging just $12.70 a barrel for the year. The average price climbed back to $23.27 a barrel in Fiscal 2000, and after this year's high prices we expect the oil market to start back down a gradual path to $24.28 in Fiscal 2002, $22.06 in Fiscal 2003, then settling at just above $17 a barrel a few years later.

In addition to prices, our state revenue forecast is based on oil production, and the good news there is a year away. We expect production to increase in Fiscal 2002, the first time that has happened since 1988. We forecast that total production will hold between 1.05 and 1.07 million barrels per day for the next five years before resuming its downward trend. It's important to note that new production from proven reserves will comprise 3.8 percent of Alaska's total oil production in Fiscal 2001, rising to 13.3 percent of the total in Fiscal 2002 and climbing to 25.3 percent in Fiscal 2008. Clearly, new production is key if Alaska is to replace the flow from declining fields at Prudhoe Bay and Kuparuk.

I hope you, your staff and the Legislature find this report helpful. I am eager to work with you, the Legislature and the public as Alaska's manages its fourth decade of oil wealth.

Sincerely,

Wilson L. Condon
Commissioner

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# I. INTRODUCTION

## Why Issue a Revenue Forecast?

In the past, oil alone pumped through the heart of the Department of Revenue's twice-yearly revenue forecast. The state's finances depended on oil tax and royalty revenues, which depended on price and production. The department's forecast of those variables was key to annual budget work by the governor's office and the legislature.

Although oil prices are still important, the state's growing reliance on the Constitutional Budget Reserve during the mid- and late-1990s brought a new element to the revenue forecast. The department twice a year tried to answer how much money would be needed from the budget reserve to balance state spending — and when the savings account might run out.

Of course, any estimate of draws on the CBRF is dependent on oil revenue. Oil continues to provide the bulk of the money available to meet general government expenditures. When Alaska North Slope oil prices in FY 1999 averaged just $12.70 per barrel, almost half of the General Fund budget of $2.4 billion came from the CBRF — consuming almost one-third of the funds available at the time in the CBRF. The possibility of a long spell of low oil prices and subsequent heavy demand on the CBRF resulted in a legislative attempt at a long-term fiscal plan that relied, in part, on using some earnings from the Alaska Permanent Fund. A public advisory vote went overwhelmingly against the plan in September 1999.

Prices have recovered since the extreme lows of 1998-1999, delaying but not eliminating the inevitable end to the CBRF. In FY 2000, with oil prices averaging $23.27 — almost $6 per barrel higher than over the past 14 years — the draw on the CBRF was over $300 million. Regardless of the price, the undeniable issue is that Alaska's oil production is only about one-half of what it was when the massive Prudhoe Bay field was at peak production levels in FY 1988.

Meanwhile, investment income has overtaken oil revenue as the state's largest source of money. Investment income surpassed total oil revenue in Fiscal 1998, 1999 and 2000, with only the high oil prices of Fiscal 2001 temporarily breaking the trend. Because of the state's increasing reliance on investment income, the department has strengthened its discussion of investment income and other non-oil revenue in its forecast book.

And while Alaska's population grows, the demand for public services grows with it. Yet the long-term outlook for North Slope oil is a gradual decline at the large, older fields. New fields and a possible natural gas project could help replace some of the decline in oil revenue, but nothing can bring Alaska back to its cash-rich days of the 1980s. The two lines moving in opposite directions — declining oil production and increasing population and services — is the reason we try to answer the question: *"When will the day arrive that we need to change the way the state pays for public services?"*

# What's in This Report?

The Fall 2000 Revenue Sources Book is organized into six sections:

**I. Introduction.**

**II. Alaska's Fiscal Options.**
This special section includes an examination of some other possible state taxes to diversify Alaska's revenue base.

**III. Executive Summary.**

**IV. Oil Revenue.**
This includes oil and gas severance taxes, corporate income taxes, property taxes and royalties.

**V. Investments.**
This includes investment earnings from the Alaska Permanent Fund, the Constitutional Budget Reserve Fund, the General Fund and other state investments.

**VI. Other Revenue.**
This category includes alcohol, tobacco, fisheries, estate and motor fuel taxes, non-oil corporate income taxes, user fees, federal funds, university tuition and several other revenue sources.

Each section includes explanations of restricted funds (money restricted by the constitution, state statute, customary practice or federal designation) and explanations of unrestricted funds (money generally available for appropriation each year). The *Unrestricted General Purpose Revenue* category is the focus of legislative and public debate each year, because it's this money that pays for many of our public services and the day-to-day operations of state government.

The goal of this Revenue Sources Book is to describe state revenue in specific and complete terms for anyone who wants to ask: Where does the state get its money? In doing so, the Department of Revenue follows an agreement between the Governor's Office of Management and Budget and the Legislative Finance Agency to organize all sources of state funding by their allowable uses under state and federal law.

Revenue listed in Table 1 on Page 23 shows the new money available for appropriation each fiscal year, including oil revenue, federal funds, investment earnings and other revenue. The table does not include balances in existing funds such as the Constitutional Budget Reserve Fund or the Permanent Fund Earnings Reserve Account. The revenue that went into those funds was counted in previous years and should not be counted twice.

# Glossary

- **General Fund Unrestricted Revenue**: All of the state's unadjusted revenue not limited by state or federal law, debt or trust restrictions, or other state or federal requirements or customary practice. It includes taxes, user fees and some investment earnings but does not include any federal money or Permanent Fund earnings. See Appendix Table A on Pages 82-83.

- **Unrestricted General Purpose Revenue**: Most legislative and public debate over the budget each year centers on this category. It used to be called *Net Disposable General Fund Unrestricted Revenue*. It includes General Fund Unrestricted Revenue minus items that are generally accepted as restricted such as state fisheries tax revenue shared by law and customary practice with municipalities and regional aquaculture associations. See Table 3 on Pages 25-26.

- **Other Revenue**: Non-oil taxes, user fees, federal funds and other income. It includes non-oil corporate income taxes, motor fuel and cigarette taxes, and other taxes and user fees collected by the state. It also includes all federal funding directed to the state, including construction money such as for roads and airports, and operating money such as for Medicaid and job training programs. Some of this money is restricted and some is unrestricted. See Table 25 on Page 69.

- **Federal Revenue**: When the federal government gives money to states, it restricts how that money can be used. Highway and airport construction funds, Medicaid and education funding cannot be used for other purposes. In addition to restricting how the money is spent, the federal government often requires states to put up matching funds to qualify for the federal funding. See Page 75.

- **Dedicated Revenue**: Revenue restricted by the Alaska Constitution fits into this category. Other than the Permanent Fund, which was approved by voters in 1976, all of the other revenue sources in this category existed in some form before statehood and therefore are not subject to the constitutional prohibition against dedicated funds. They include such accounts as the Fish and Game Fund, Disabled Fisherman's Fund and Public School Fund. See Page 75.

- **Statutorily Restricted Revenue**: Though not dedicated in the constitution, this revenue is earmarked in state law for specific purposes. Examples include University of Alaska tuition payments, marine highway receipts, payments to various revolving loan funds, airport revenues and public corporation receipts, such as AHFC and AIDEA. See Page 76.

- **Trust Fund Revenue**: This includes funds held by the state in trust for specific beneficiaries. Examples include public employees and teachers retirement funds, the Advance College Tuition Program and the Alaska Mental Health Trust Fund. See Page 79.

- **Customarily Restricted Revenue**: Though not set out in statute, these revenue sources have historically been restricted by the legislature. The largest item in this category is Permanent Fund earnings in excess of what is needed each year for dividends and inflation proofing. Though the money could be spent as *Unrestricted General Purpose Revenue*, the legislature has always chosen to retain it in the Permanent Fund's Earnings Reserve Account or appropriate it to the fund's principal.

- **Permanent Fund Statutory Income**: The annual Permanent Fund dividend is based on statutory income. This is the total realized gain and loss of all Permanent Fund investment transactions during the year, plus interest and dividends earned by the fund. Though the legislature may appropriate the earnings for any purpose it chooses, the historical practice has been to restrict the use of realized income to Permanent Fund dividends, inflation proofing, and then either leaving the excess in the Earnings Reserve Account or transferring it to the principal of the Permanent Fund.

- **Permanent Fund GASB (or Market) Income**: Under rules adopted by the Government Accounting Standards Board, the Permanent Fund's income – and that of any other government fund – is the difference between the purchase price of the investments and their market value at a given point in time, plus any dividends or interest earned on those investments. Under GASB rules, the Permanent Fund does not have to sell the investment to count the gain or loss as it changes value. It's called "marking to market," that is, measuring the value of the fund's investments by the current market price. This can produce a much different picture than *Permanent Fund Statutory Income*, which does not reflect fluctuating investment values until the assets are sold.

- **Constitutional Budget Reserve Fund**: Created by voters in 1990, the Constitutional Budget Reserve Fund holds the proceeds from settlements of oil and gas tax and royalty disputes since July 1, 1990. It generally requires a three-quarters majority vote of each chamber of the legislature to withdraw money from the fund.

# II. ALASKA'S FISCAL OPTIONS

## Sources of Government Revenue and the Alaska Economy

The Constitutional Budget Reserve Fund — like the Permanent Fund dividend program — has become a major component of the state's economy. The budget reserve fund contributed almost $4 billion to Alaska's economic base during the 1990s, and was especially important during the low oil prices of FY 1999 when it added more to the state's total personal income than even the dividend program.

And just as you would weaken the economy if you removed or reduced the annual dividend program, you will cause the same problems if no suitable replacement is found before the CBRF runs out of money.

Alaska's economic base depends on "new" money circulating throughout the economy — money from outside that comes in, increases purchasing power, and moves around. New money that comes into the state generates additional income when it is spent, either by businesses or by workers. It can start out as wages or it can begin as payments for goods that then works its way into personal income as it's paid out as wages.

The important thing about the economic base is that the money comes from outside the state, brought into Alaska to pay for goods and services. It could be money from oil, tourism, seafood or timber sales; military or federal civilian payroll; or oil taxes and royalties paid to the state. A dollar paid to the state in oil taxes or a dollar earned by the state from oil royalties could move around the same as a dollar paid in wages by an oil company. The state treasury is simply a stopover before the tax dollar goes out as public employee wages, as a construction contract, an office supply order or other purchase.

Eventually, most every dollar brought into Alaska will find its way back out of state to purchase goods, raw materials or services. The number of times the money circulates through the state's economy before it leaves is called the multiplier effect.

Presenting the problem is easy. Finding the solution is the hard part.

Assuming Alaska wants to maintain — if not grow — its economic base, it has to find at least some new money to fill the gap the CBRF eventually will leave behind. The options of taxes, cutting the budget or using some of the Permanent Fund dividend cash would not bring any new money into the economic base, although any of the three certainly would be the fastest to implement and easiest to control.

In looking around for sources of new money, there are some options — although they are harder to quantify and not necessarily within Alaska's control.

We could bring new money into the state through new oil discoveries and higher recovery rates at existing oil wells; development of a natural gas project; building a stronger market for seafood sales; attracting more visitors to spend more money in Alaska — anything to bring a dollar from outside into the hands of a business or worker inside Alaska.

Another option is to increase the multiplier effect for the money already here. The more that dollar bounces around the state, the more it benefits Alaskans. It's sort of like a pinball game. The more cushions and bumpers the ball touches, the higher the score. But once that ball falls through the flippers and down the chute, it's gone forever.

The more goods and services that are available in Alaska, the better our medical services, the more competitive our businesses become, the longer a dollar will stay in our economy before slipping through to an out-of-state provider.

In looking at the state's economic base and the new money that builds that base, we see that here, too, the CBRF is similar to the Permanent Fund dividend program. The dividend program is new money because the cash for the annual checks comes mostly from earnings on investments outside Alaska. It's not simply recirculating money already here. The same is true for the CBRF.

The money in that account came from taxes and royalties paid by oil companies — new money to Alaska, not money already in the pockets of Alaskans or the cash registers of local businesses. As the state uses the CBRF to pay for wages, goods and services, the money is added to Alaska's personal income total.

The point is that when oil prices were at their lowest in Fiscal 1999, the CBRF supplied about one-eighth of the state's total economic base. The $1.1 billion drawn out of the CBRF that year went to wages, goods and services purchased in Alaska. That money then moved through the economy, measured by the multiplier effect. Based on 1995 research by the University of Alaska's Institute for Social and Economic Research, the multiplier effect magnified the CBRF's Fiscal 1999 contribution to Alaska's economic base to $2 billion — about 12 percent of the state's overall personal income that year.

Although oil prices have recovered, the outlook is for the heavy drain on the CBRF to resume in another year. This report forecasts that the CBRF payment to support the activities of state government — and to help fund Alaska's economic base — will average more than $910 million a year from FY 2003-2006. That figure represents the CBRF's contribution before the multiplier effect.

The need for the money will not end in Fiscal 2006, but the money will. Even assuming oil prices remain above historic levels for several more years, the Department of Revenue forecasts the CBRF will hit empty in December 2005. The loss of the budget reserve fund will mean a major reduction in the cash flowing through Alaska's economy, which means the economic base, and the economy itself, will shrink.

If Alaska wants to protect its economic base it will need to find another source or sources of new money. That will not be easy. The three options most often mentioned all have the same drawback: They would simply alter the flow of money already in Alaska, doing nothing to fill the hole.

Broad-based taxes, such as a sales tax or a personal income tax, would mostly take money already moving through the economy and redirect it toward government services. Yes, we could add a little new money to Alaska's economic base by collecting sales taxes from visitors or income taxes from out-of-state workers, but both taxes from outside sources combined would likely fall short of even 10 percent of the $910 million a year average draw from the CBRF.

Reducing the Permanent Fund dividend presents the same problem. Much of that money already is being added to Alaska's economic base. Shifting it from the dividend program to the state treasury to pay for teachers wages or road maintenance contracts or child care assistance would not add to the economic base and would not replace the gaping hole left by the empty CBRF.

It's the same problem with cutting the budget. If you reduce government support for public services to make up for the loss of $910 million a year in CBRF money, the lower spending on goods and services would weaken the state's economic base.

None of these proposals would replace the contribution of the CBRF to Alaska's economic base. Selecting among these proposals — or a combination — would only determine which Alaskans bear the major burden of the economic retrenchment.

One less-painful option for bringing new money into Alaska's economic base is the annual earnings reserve of the Permanent Fund. That's the money left over from each year's investment earnings after dividends are paid and after money is added back to the fund to protect it from inflation. That amount is likely to average around $250 million a year and could be directed toward filling part of the gap left behind by the CBRF. Because that money is not currently part of the state's economic base — it isn't being used for goods or services — it would be new money to Alaska.

Another hope is that a North Slope natural gas project could get under way in the next couple of years, generating public revenue of $200 million to $400 million a year or more in new money for the economic base by 2007. A gas project also would bring additional new money into the state to pay for wages, goods and services in the gas fields and transportation system. New oil discoveries also could produce additional pockets of new money to help cushion the loss of the CBRF.

One more option for bringing new money into the state is to increase taxes on the oil and gas industry. But that carries the risk of driving new investment to other areas worldwide if the industry believes Alaska is extracting too high a price. To fill the entire budget gap of $910 million a year from increased oil and gas taxes alone would require almost tripling the state's three primary oil and gas taxes.

There just isn't any easy or painless answer to replacing the CBRF. Still, we need to talk about an eventual answer. And while we look at the options, Alaskans need to think of the budget reserve fund not just as a funding source for government but as a key part of the state's economic base. We need to think about how to replace that source of money without just moving funds between Alaska's limited pockets. If that's all we're thinking about, the economic reality that hits us when the CBRF is gone will be painful.

For more information on Alaska's economic base and the multiplier effect:

"What Makes the Alaska Economy Tick," by the Institute of Social and Economic Research at the University of Alaska, Anchorage; December 1991.

"Structural Analysis of the Alaska Economy," by the Institute of Social and Economic Research at the University of Alaska, Anchorage; January 1994.

"Structural Analysis of the Alaska Economy: A Perspective from 1997," by the Institute of Social and Economic Research at the University of Alaska, Anchorage; August 1997.

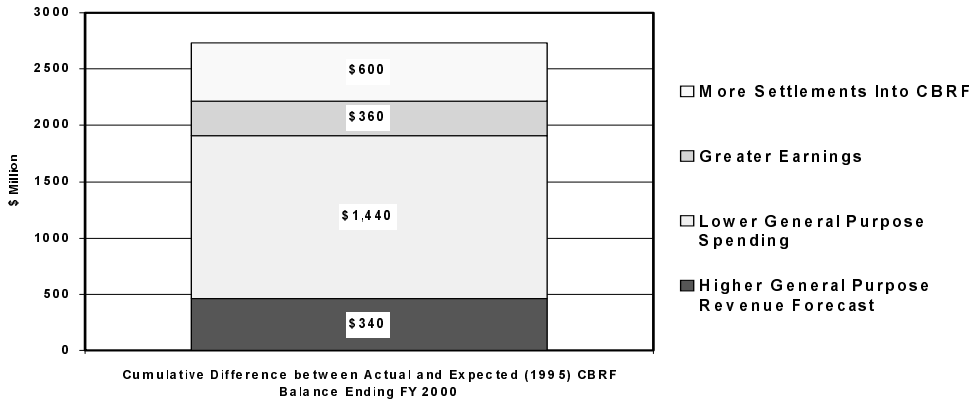
"A Long-Term Economic Development Strategy for Alaska," by the Alaska Science & Technology Foundation; April 2000.

## Crying Wolf? A Brief History of Revenue Projections

In 1995, with oil prices hovering in the mid-teens and the state's income falling short of expenditures, the Department of Revenue predicted that we would exhaust the Constitutional Budget Reserve Fund by Halloween 2000. Instead, on October 31, 2000, the CBRF stood at $2.75 billion. How did we get it wrong?

To understand why our reserves grow or shrink, it helps to understand how the state finances its needs. When oil revenues fall short of our projected spending, the state dips into the Constitutional Budget Reserve Fund. That reserve gets its money from the settlement of oil tax and royalty disputes. In FY 1999, we used $1.1 billion from the CBRF to balance the books. Most recently, however, we have seen oil prices climb upwards of $30 per barrel, and for FY 2001, we are projecting a surplus of $117 million.

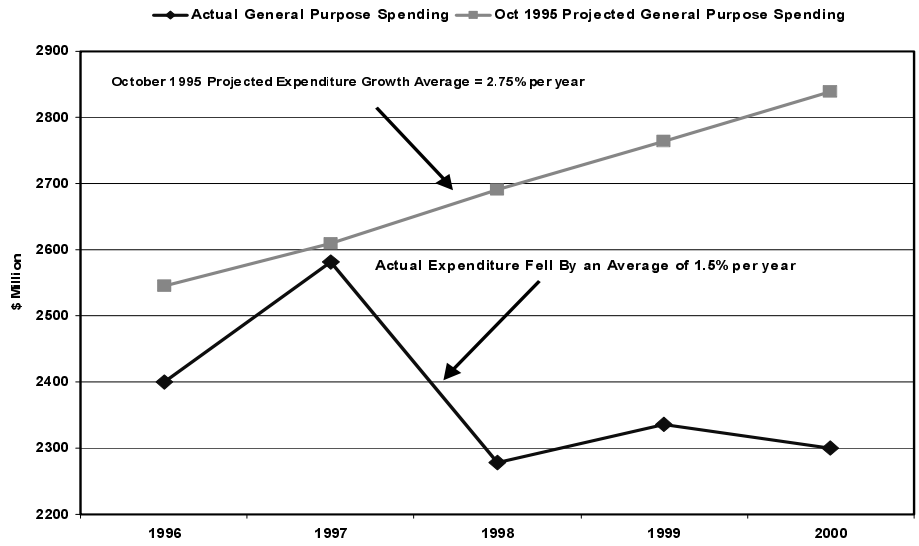
**Why We Have More in the CBRF in FY 2000 Than We Expected**




This $2.75 billion discrepancy between our 1995 forecast and the CBRF balance in October 2000 can be broken into four pieces.

- First, as can be seen in the chart above, the lion's share is due to lower-than-expected General Fund spending. We had made the assumption in 1995 that spending would increase by 2¾ percent each year through the rest of the 1990s. In fact, spending actually declined by an average of 1½ percent per year in nominal dollars and we used much less of the reserve than we thought we would, leaving an additional $1.4 billion in the fund.

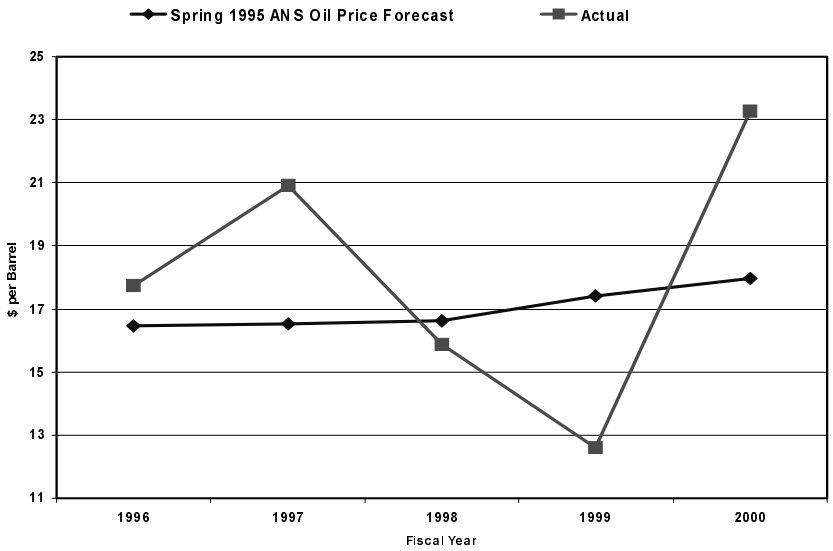
## General Purpose Spending, FY 1985-2000




Each of the remaining three parts plays a much smaller role

- Our underestimate of oil revenue available to the General Fund accounted for $340 million of the discrepancy. In 1995 we forecast the price of ANS would drift steadily upward, averaging about $17.15 per barrel from 1995 through 2000. In fact, as the graph below shows, the price increased from 1995 through 1997, generating additional revenue. In 1998 and 1999 it crashed to $5 per barrel below our prediction. Then in FY 2000, the price shot up by $10 per barrel. The average actual price of $18 per barrel over the period 1995 through 2000 exceeded our forecast average by about $0.85 per barrel, but that was still enough to produce substantial income over the five years — money that we didn't have to take from the CBRF.

## ANS Price Forecast Spring 1995 and Actual ANS Prices



- In 1995, we underestimated by $600 million how much the CBRF would receive from oil and gas tax and royalty settlements over the next five years.

- Finally, because of the higher than anticipated balances in the CBRF, we earned $360 million more on the money between 1995 and 2000.

The Department of Revenue is not alone in stumbling into the pitfalls of revenue and budget forecasting. Starting in 1989, the Institute of Social and Economic Research (ISER) at the University of Alaska Anchorage issued a series of papers on Alaska's fiscal policy, based on Department of Revenue oil production forecasts and ISER's own oil price and budget projections. At that time, ISER said a continuing decline in revenue would leave Alaska short of its spending needs and the CBRF would run out in 1992. The "Fiscal Gap" has been the center of budget discussions ever since.

For the present, the CBRF is healthy. However, if we assume that over the long run ANS will not maintain its price above the historical average of $17 to $18 per barrel, and if spending remains constant and we do not find additional revenue sources, we still face a fiscal gap. Today that gap is masked by high oil prices, and the day of fiscal-gap reckoning postponed. Our message is: It's better to plan ahead for the wolf's arrival than to cry when it's too late.

## What Are the Options for Replacing the CBRF?

Although the state could balance its budget if oil prices remain around $30 a barrel forever, and if new oil fields and other developments make up for declining production at the older fields, few expect that to happen. If oil prices were to average around $20 per barrel through FY 2010 — higher than the average over the past 14 years of $17.70 per barrel — we would need roughly $1 billion per year to balance the budget at current expenditure levels.

Alaska therefore faces the prospect of a continued need to draw on its reserves. For this reason, we are including in this report a discussion of some of the most often mentioned changes to our fiscal system that could be used to help pay for the public services needed by a growing economy. Specifically, we examine broad-based taxes on sales and income, possible changes to oil and gas taxes, and use of some of the earnings from the Permanent Fund.

# Broad-based Taxes

Alaska has an extraordinarily narrow tax base centered on the oil and gas industry. In FY 2000 three tax and royalty payers were responsible for more than 75 percent of the money spent from the General Fund.

Given the effect on state revenue from the eventual decline in North Slope oil production and the volatility of oil prices, instituting a personal income tax or a statewide sales tax often surfaces as a potential solution for stabilizing state revenues. Some key concepts to consider in choosing a broad-based tax are summarized below.

- **Revenue** – How much revenue does the tax generate?
- **Exportability** – How much tax do nonresidents pay?
- **Fairness** – How fair is the tax?
- **Economic Effects** – How would the tax change economic behavior?
- **Administrative Cost** – How much does tax administration cost?
- **Changes in Technology** – How would this tax change in the future?

## Revenue

**Income Tax**

How much revenue would a tax generate? The answer to this question really depends on the tax base and the rate structure. Most individuals who work in Alaska already file an U.S. income tax return, thus the most cost-effective income tax base would probably come from that return, using one of three options: (1) adjusted gross income, (2) federal taxable income, or (3) federal tax liability before federal credits.

The table below represents the income tax rates (expressed as a percentage) necessary to generate the indicated revenue amount.

**Income Tax Rates Needed to Reach Revenue Projections**

| $ Million Revenue | Percent Adjusted Gross Income | Percent Federal Taxable Income | Percent Federal Tax Liability |
|---|---|---|---|
| **250** | 2.1 | 2.9 | 13.7 |
| **300** | 2.5 | 3.4 | 16.3 |
| **350** | 2.9 | 4.0 | 18.9 |
| **400** | 3.3 | 4.5 | 21.4 |
| **450** | 3.7 | 5.0 | 24.0 |
| **500** | 4.1 | 5.6 | 26.6 |

**Sales Tax**

Although most everyone is familiar with the sales part of a "sales and use" tax, most Alaskans are probably not familiar with the "use" part. What it means is that if a state has a sales and use tax and, for example, a resident buys a car in another state, the resident is liable for the use tax (generally the same rate as the sales tax) when the car comes across the state line. The idea is to protect the state (and its businesses) from losing revenue to sales in other states.

The amount of public revenue that a sales and use tax would generate is the product of the size of the sales tax base and rate. The size of the sales tax base depends on (1) the size and structure of the economy; (2) the specific goods and services included in the base; and (3) the type and size of credits or deductions.

The best four sources of information for estimating the revenue that could be derived from an Alaska sales tax are:

(1) Data from the 98 Alaska cities and boroughs that currently impose sales taxes. This comprises about one-third of Alaska's population.
(2) Data on sales tax revenues from other states similar in size to Alaska.
(3) Data from the U.S. Economic Census for Alaska.
(4) Data from the Consumer Expenditure Survey for Anchorage.

From the four data sources, we conclude that at a rate of 1 percent Alaska statewide sales tax with almost no exemptions would generate roughly $100 million in public revenue a year. However, as is commonly done in other states and in Alaska communities with sales taxes, exempting food and medicine from the Alaska sales tax base would reduce the annual income to the state to roughly $70 million per 1 percent tax rate.

## Exportability

Exportability is the extent to which a state can shift its tax burden to out-of-state residents, either through directly charging nonresidents or through deductibility against the federal income tax. The amount of tax nonresidents pay depends on the amount of income nonresidents earn in the state, or in the case of sales taxes the goods and services that nonresidents purchase here.

**Income Tax**

The easiest way to export a tax is through deduction against federal tax liability. There is no deduction for state or municipal sales taxes; only income taxes are deductible. A deduction, or offset, means part of the tax revenue remains in state instead of going to Washington D.C. We estimate that Alaskans, on average, would recover about 15 percent of the cost of a state income tax by deducting it from their federal tax bills. For example, if a state income tax generated $300 million, $45 million would come from the deductibility of the state income tax against federal income taxes and $255 million would come from the pockets of Alaskans.

Taxing nonresidents also would help relieve the tax burden on Alaskans. The Bureau of Economic Analysis at the U.S. Department of Commerce estimates the nonresident income produced in each state. It's an estimate of the annual income that nonresidents earn in Alaska, minus income that Alaska residents earn in other states. The 1998 figure was $813 million, or, approximately 6 percent of total 1998 earnings in Alaska.

The Alaska Department of Labor provides another source of data on nonresident income in its annual report on nonresident wages. According to the department, the total nonresident earnings for 1998 were $930 million — about 10 percent of total wages paid in the state. There are two reasons why this number is larger than the U.S. Department of Commerce number. First, the state classifies more workers as nonresidents. The Alaska Department of Labor strictly defines a nonresident worker as someone who did not receive a Permanent Fund Dividend that year or apply for it the following year. Second, the Department of Labor number does not address income earned by Alaska residents in other states.

Regardless whether you use the state or federal estimate of nonresident income in Alaska, it's likely that a personal income tax of $300 million a year would generate less than $30 million a year from nonresidents working in Alaska.

**Sales Tax**

In a recent study, the McDowell Group, an Alaska economic consulting company, estimated that nonresident visitors spent $949 million in Alaska in 1998. Rounding that off to $1 billion a year in visitor spending, a 1 percent statewide sales tax would generate about $10 million from sales to nonresidents. That assumes no exemptions for food or medical care, and makes no allowance for sales exempt under federal law such as airline tickets.

## Fairness

**Income Tax and Sales Tax**

The concept of fairness in taxes is subjective, as the term evokes a host of philosophical and political considerations in addition to the economic ones. Essentially, a majority of the state's residents must perceive any tax system as fair if it is to work well. An unfair tax structure generally reduces support for public expenditure and reduces compliance with the tax system.

Tax equity can be looked at in two ways: ability-to-pay and benefits received. The benefit principle rests on the premise that taxpayers should pay tax in proportion to the value of the public-service benefits they receive. On the other hand, the ability-to-pay principle follows from the belief that taxes should be assessed in terms of some measure of an individual's capacity to pay. Taxes are usually described as progressive, regressive or proportional. If the tax, as a percentage of income, rises as a person's income rises, it is labeled as progressive. If the tax, as a percentage of income, rises as income falls, the tax is considered regressive. A tax that stays the same is deemed as proportional.

Supporters of an income tax say it is progressive, in that it generally assigns a higher tax rate to higher-income households.

Opponents of a sales tax say it is regressive because low-income households spend a greater proportion of their income on essential purchases than do higher-income households. Supporters of a sales tax say it is fair in that it taxes everyone at the same rate.

## Economic Effects

**Income Tax and Sales Tax**

Economists classify a tax as "efficient" when it has little or no effect on economic behavior. For example, sales taxes are inefficient when they influence consumer buying decisions or manufacturers' production decisions.

The size of the tax rate may also influence economic behavior. A personal income tax certainly could influence a person's economic decisions by lowering take-home pay, thereby affecting spending and working decisions. The amount of a sales tax also can make a difference in spending decisions. For example, a person who normally buys goods locally may continue to do so at a low sales tax rate. However, a high tax rate may cause the person to purchase the same product on the Internet or by mail order. In addition to changing the behavior of the individual, the Alaska economy suffers because the expenditure is made out-of-state and the money does not circulate in the local economy.

One measure of the stability of a tax is how state revenue changes as personal income changes. Studies show that as income changes, sales tax revenues change less than income tax revenues.[1] That is, in general, sales tax revenues decrease less in a recession than income tax revenues. Conversely, sales tax revenues increase less in a period of growth than income tax revenue.

## Low Administrative, Enforcement and Compliance Cost

Desirable features of any tax system are low administrative, enforcement and compliance costs. These features imply that the tax system should attempt to minimize both individual and business compliance costs (including record keeping costs and fees paid to professional tax preparers), as well as the government's cost of administering, monitoring and enforcing the tax system.

Based on other states' experiences, we believe Alaska's cost of collecting either a sales or an income tax could be as low as 1 percent of total state revenue from the tax, depending on how the tax is structured.

**Income Tax**

Typically, the compliance cost to an individual for a state personal income tax is relatively minimal when the state tax is based on federal definitions of taxable income.The state tax return generally is simple to complete after federal taxable income and taxes are calculated.

Businesses will incur some additional compliance costs. For the personal income tax, the added costs are mostly associated with bookkeeping for employee tax withholding.

**Sales Tax**

Individuals have no sales tax compliance cost; the burden falls on businesses to collect the tax, keep the books and send the money to the tax office. Businesses will incur costs for labor, point-of-sale equipment and software and record keeping.

[1] "State Fiscal Issues and Risks at the Start of a New Century," by Donald J. Boyd, Nelson A. Rockefeller Insitute of Government, Albany, New York; June 2000.

Private costs for collecting and remitting sales tax are generally higher for small- and medium-sized businesses. In Washington, the cost to businesses to collect and remit sales tax was 6.47 percent of total sales tax collections for small, 3.35 percent for medium and 0.97 percent for large retailers.[2] Many states allow businesses to retain a small percentage of the sales tax collections to at least partially cover the costs of the tax collection service.

## Changes in Technology

**Sales Tax**

Use of the Internet directly affects a state's ability to collect sales tax revenues. Taxing sales over the Internet would lead to higher cost to businesses of complying with almost 7,500 state and local sales tax jurisdictions. In response, state governments have joined together to propose streamlining existing sales taxes. The key features of these proposals include uniform definitions, simplified exemptions, simplified rates, state administration of local sales taxes, uniform auditing and states assuming a greater responsibility for implementing the system.

# Petroleum Fiscal System

### The Current System

There are four major components of the fiscal system for oil and gas:

- **Ad Valorem Property Tax** — A 20 mill levy on all petroleum production and transportation equipment.
- **Severance (Production) Tax** — A tax on production of up to 15 percent of value.
- **Royalty** — An ownership interest of an average 12.5 percent of production value.
- **Corporate Income Tax** — An income tax on oil and gas corporation net income of 9.4 percent.

A discussion of each of these taxes can be found in Section IV, Oil Revenue, beginning on Page 39.

### Adequacy of the Current System

There are at least two criteria for evaluating the adequacy of a fiscal system:

- The share of the (pre-tax) profits from oil and gas activity in the state that the state receives.
- Whether the system encourages or discourages investment in the state.

[2] "Retailers' Cost of Collecting and Remitting Sales Tax," by Mary Welsh and Frederick C. Kiga, Washington State Department of Revenue, Olympia, Washington; December 1998.

A key parameter for examining the presence of these properties is the degree of *progressivity* of the fiscal system.

## Proportional, Progressive and Regressive Fiscal Systems

A proportional fiscal system is one in which the state's take is proportional to the profitability of the project. A system where the state's share of profits increases as profits increase is progressive. A system where the state's share of the profits increases as profits decrease (and decrease as profits increase) is called regressive.

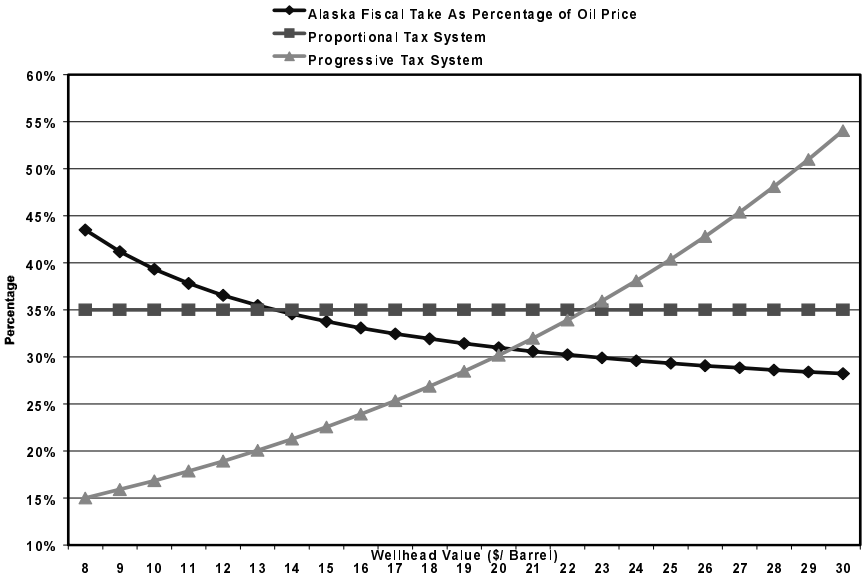
Regressive systems create investment risk. Because the state's take is high at low prices, the risk to the investor of either high costs or low prices is exacerbated. Regressive systems also result in low government takes at high prices.

Alaska's petroleum fiscal system is regressive. The state's share as a percentage of the profits drops at higher prices. For instance, in FY 1999 when the wellhead price for North Slope oil averaged just $8.50 per barrel, we estimate the state's share to be about 45 percent of the pre-tax profit (assuming $3 per barrel in upstream operating and depreciation costs). In 2000, the wellhead price averaged $19 a barrel and we estimate the state's share of the pre-tax profit at a little more than 30 percent.

Alaska's share of the profits at low prices is higher than many other oil-producing nations earn at comparable prices, but when prices are high is lower than most other governments earn.

The chart below illustrates Alaska's regressive fiscal system compared to what progressive and proportional systems might look like.

**Regressive, Progressive and Proportional Fiscal Systems**



There are three basic elements that in varying degrees make Alaska's system regressive.

- The property tax is clearly regressive because it is largely based on construction costs of facilities, and has nothing to do with income. If costs go up, or if prices go down so that profits go down, the property tax stays relatively constant and takes a bigger share of the smaller profit.

- Since both the severance tax and royalty are based on wellhead values, i.e., and the value at the point of production where the oil or gas leaves the well, all upstream development costs are ignored. Thus the higher the upstream costs, the more regressive the system. In addition, the state's minimum severance tax amounts are regressive at very low prices.

- Since the apportionment method used in Alaska's oil and gas corporate income tax is not based solely on profits in Alaska but instead a portion of worldwide profits, it could be argued that the tax has little to do with local profitability. Although this tax is proportional in relation to the total profitability of integrated oil companies, some say it is regressive because it is not directly and exlusively linked to profits in Alaska.

Several international comparison studies of fiscal systems have found that Alaska is a relatively attractive investment target at high prices and unattractive at low prices.[3] Any attempt to deal with the current system should also address how the state would manage its budget during periods of low oil prices.

However, an advantage to the state from this system is that it provides a public revenue cushion at low prices. The downside, of course, is that it also puts a ceiling on upside potential when prices are high.

There are at least two straightforward ways to make the system less regressive:

- There could be relatively more emphasis on the oil and gas corporate income tax and less on the severance tax by raising the rate on one and reducing it on the other. Moreover, changing the graduated rate schedule of the income tax could significantly increase progressivity. In theory, changing the state's oil and gas corporate income tax away from its worldwide apportionment basis to one based directly on economic performance within the state would probably yield a more consistently progressive effect.

- Alaska could impose an additional tax on oil for every dollar that the price exceeds a specified base price. Such a price-sensitive tax would move the state toward a progressive tax structure. For example, the state could collect 10 cents per barrel for every dollar that the oil price exceeds $14 a barrel. At $20, or $6 over the minimum price, the additional tax would be 60 cents per barrel. At $30 it would be $1.60 per barrel. A similar negative tax for prices below $14 a barrel would share some of the risk of low prices between producers and the state.

[3] Kemp/Rose, "Fiscal Aspects of Investment Opportunity in the UKCS and Norway, Denmark, Netherlands, Australia, China, Alaska (North and South) and the US Outer Continental Shelf; 1993.
A.D. Little/Gault, "Review of International Competitiveness of Alaska's Fiscal System"; August 1995.
Petroconsultants, "Annual Review of Petroleum Fiscal Regimes"; 1996.
Van Meur/ Barrows, "World Fiscal Systems for Oil"; 1997.

# Permanent Fund Earnings

A fiscal possibility, though not necessarily a politically popular option, would be to use the annual excess earnings of the Alaska Permanent Fund to help balance the state budget.

The state's three-decade-old savings account generates more investment earnings than are needed each year to pay dividends and inflation-proof the principal of the fund. The excess — between $200 million and $300 million a year — goes into the fund's earnings reserve account. It goes there by default; it doesn't take legislative action to make a deposit into the earnings reserve.

State statute defines how the Permanent Fund Corporation is to calculate its "statutory net income." Another formula in state law uses the five-year average of that income to arrive at the annual dividend transfer. Inflation-proofing also is set in state law and is tied to the consumer price index. What is left behind after dividends and inflation-proofing falls into the earnings reserve.

The annual earnings reserve would be similar under a new payout system endorsed by the Permanent Fund Corporation Board of Trustees. The trustees are proposing a constitutional amendment that would limit the fund's annual payout to 5 percent of market value. A percent-of-market value, or POMV, standard would provide long-term stability in the amount available for distribution each year and would inflation-proof the entire fund — not just the principal. At a POMV of 5 percent a year, all of the investment earnings over 5 percent would automatically remain in the Permanent Fund to protect against inflation. Assuming a long-term investment return of 8 percent and a POMV of 5 percent, the fund would retain 3 percent a year for inflation-proofing.

If, for example, the fund's average market value for the past five years were $26.5 billion, a 5 percent POMV formula would make $1.325 billion available for dividends and whatever else the legislature decides. That could be the earnings reserve or, if at some point the political and public will demands it, the money left after dividends could be put back into the Alaska economy as part of the state budget. If such a system were in place for the 2000 dividend, it would have produced an earnings reserve deposit of about $200 million after paying out $1.12 billion for dividends under the formula in state law.

# III. EXECUTIVE SUMMARY

## A. Total Revenue

Table 1 summarizes the state's total revenue outlook by major revenue component (Actual FY 2000 and projected FY 2001-2002).

**Table 1. Total Revenue**
$ Million

| | Actual FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| **Oil Revenue** | | | |
| Unrestricted | | | |
| Property Tax | 45.0 | 44.4 | 42.2 |
| Corporate Petroleum Tax | 162.7 | 250.0 | 200.0 |
| Severance Tax | 702.7 | 810.9 | 578.7 |
| Royalties (including Bonuses) | 731.9 | 905.3 | 703.5 |
| **Subtotal** | **1,642.3** | **2,010.6** | **1,524.4** |
| Restricted | | | |
| Royalties to Permanent Fund & School Fund | 306.5 | 348.2 | 295.9 |
| Settlements to CBRF | 448.3 | 100.0 | 45.0 |
| **Subtotal** | **754.8** | **448.2** | **340.9** |
| **Subtotal Oil** | **2,397.1** | **2,458.8** | **1,865.3** |
| **Investment Revenue** | | | |
| Unrestricted - **General Fund Investments** | **48.1** | **40.3** | **40.3** |
| Restricted | | | |
| Constitutional Budget Reserve Fund | 114.5 | 161.8 | 170.3 |
| Permanent Fund Dividends | 1,172.0 | 1,192.0 | 1,193.0 |
| Permanent Fund Inflation Proofing | 423.0 | 646.0 | 693.0 |
| Required Deposits to PF Principal | 280.0 | 18.0 | 20.0 |
| GASB PF Income Net of Distributions | 371.0 | (322.0) | 307.0 |
| Other Appropriations | 3.0 | 0.0 | 0.0 |
| **Subtotal** | **2,363.5** | **1,695.8** | **2,383.3** |
| **Subtotal Investment Revenue** | **2,411.6** | **1,736.1** | **2,423.6** |
| **Other Revenue** | | | |
| Unrestricted | | | |
| Alcohol, Tobacco, Fuel and Insurance Tax | 99.8 | 93.5 | 93.4 |
| General Corporate Tax | 56.3 | 60.0 | 55.0 |
| Fish Tax | 27.6 | 16.3 | 15.2 |
| Other Tax | 8.2 | 7.9 | 7.9 |
| Licenses & Permits | 68.4 | 57.2 | 57.9 |
| Charges for Services | 43.7 | 24.3 | 24.3 |
| Other Miscellaneous | 104.7 | 73.9 | 67.1 |
| **Subtotal** | **408.7** | **333.1** | **320.8** |
| Restricted | | | |
| Federal Funds | 1,217.0 | 1,826.2 | 1,899.9 |
| Trusts | 49.6 | 64.2 | 66.6 |
| Dedicated Funds | 58.7 | 59.1 | 59.0 |
| Statutorily Restricted Program Receipts | 441.3 | 616.6 | 600.1 |
| **Subtotal** | **1,766.6** | **2,566.1** | **2,625.6** |
| **Subtotal Other** | **2,175.3** | **2,899.2** | **2,946.4** |
| **Grand Total** | **6,984.0** | **7,094.1** | **7,235.3** |

**Figure 1. FY 2000 Total Revenue** ($ Billion)
**$7 Billion**

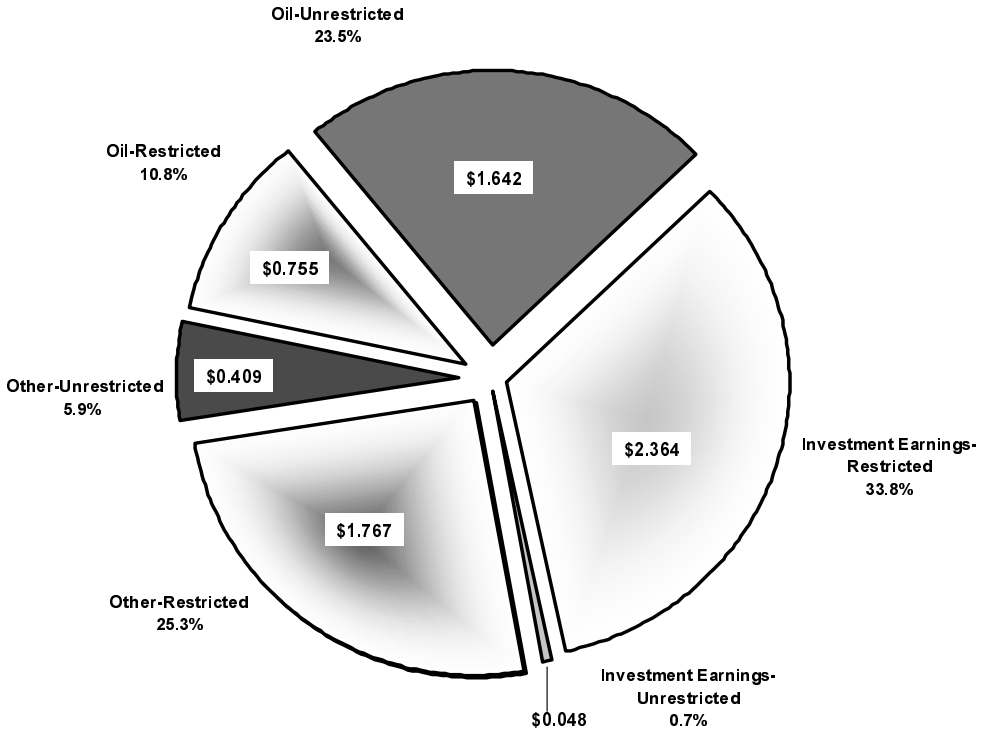



**Table 2. Total State Revenue, Actual FY 2000 and Projected 2001-2002** [1]
**Unrestricted and Restricted by Major Source**
$ Million

| Revenue Source | Actual FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| Unrestricted | | | |
| Oil Revenue | 1,642.3 | 2,010.6 | 1,524.4 |
| Investment Earnings | 48.1 | 40.3 | 40.3 |
| Other Revenue | 408.7 | 333.1 | 320.8 |
| **Subtotal** | **2,099.1** | **2,384.0** | **1,885.5** |
| Restricted | | | |
| Oil Revenue | 754.8 | 448.2 | 340.9 |
| Investment Earnings | 2,363.5 | 1,695.8 | 2,383.3 |
| Other Revenue | 1,766.6 | 2,566.1 | 2,625.6 |
| **Subtotal** | **4,884.9** | **4,710.1** | **5,349.8** |
| **Grand Total** | **6,984.0** | **7,094.1** | **7,235.3** |

[1] Total unrestricted revenue as reported for AKSAS (Alaska State Accounting System) with adjustments for certain municipal sharing of statewide taxes and additional spending restrictions. Detailed AKSAS reported unrestricted revenue and estimates, including certain spending based reporting adjustments, can be found in Appendix A.

# B. *Unrestricted General Purpose Revenue*

*Unrestricted General Purpose Revenue* is the amount generally used for budget planning purposes. Table 3 on this and the next page sets out actual FY 2000 revenue and our forecast for FY 2001 and 2002.

We forecast *Unrestricted General Purpose Revenue* by first estimating *General Fund Unrestricted Revenue,* which includes all unrestricted revenue items in the Alaska State Accounting System (AKSAS), as well as certain program receipts. After consulting with the governor's Office of Management and Budget and the legislature, we adjust our forecast of *General Fund Unrestricted Revenue* to derive a forecast of Total *Unrestricted General Purpose Revenue*. Reductions include: (1) earmarking revenue for specific programs; (2) pass-through revenue for qualified regional aquaculture and dive fishery associations; and (3) revenue shared with local governments and organizations (e.g., fisheries taxes). Additions include transfers from the unclaimed property trust and inactive loan funds.

See Appendix A for a derivation of Total *Unrestricted General Purpose Revenue* from *General Fund Unrestricted Revenue*.

**Table 3.** ***Unrestricted General Purpose Revenue***
$ Million

| | Actual 2000 | 2001 | 2002 |
|---|---|---|---|
| **OIL REVENUE** | | | |
| Property Tax | 45.0 | 44.4 | 42.2 |
| Corporate Income Tax | 162.7 | 250.0 | 200.0 |
| Severance Tax | | | |
| Oil and Gas Production | 693.2 | 801.6 | 568.9 |
| Oil and Gas Hazardous Release | 9.5 | 9.3 | 9.8 |
| Subtotal | 702.7 | 810.9 | 578.7 |
| Royalties | | | |
| Mineral Bonuses and Rents | 4.0 | 2.2 | 7.1 |
| Oil and Gas Royalties | 727.9 | 903.1 | 696.4 |
| Subtotal | 731.9 | 905.3 | 703.5 |
| **Subtotal Oil** | **1,642.3** | **2,010.6** | **1,524.4** |

(continued on next page)

**Table 3, cont.** ***Unrestricted General Purpose Revenue***

| $ Million | Actual 2000 | 2001 | 2002 |
|---|---|---|---|
| **INVESTMENT EARNINGS** | **48.1** | **40.3** | **40.3** |
| **OTHER REVENUE** | | | |
| Alcohol, Tobacco, Fuel and Insurance Tax | | | |
| Alcoholic Beverage | 12.7 | 12.5 | 12.8 |
| Tobacco Products | 16.3 | 14.7 | 14.3 |
| Insurance Premium | 28.7 | 28.7 | 28.7 |
| Electric and Telephone Cooperative | 0.2 | 0.2 | 0.2 |
| Motor Fuel Tax-Aviation | 10.3 | 5.6 | 5.6 |
| Motor Fuel Tax-Highway | 25.5 | 25.5 | 25.5 |
| Motor Fuel Tax-Marine | 6.1 | 6.3 | 6.3 |
| Subtotal | 99.8 | 93.5 | 93.4 |
| Corporate General Income Tax | 56.3 | 60.0 | 55.0 |
| Fish Tax | | | |
| Salmon and Seafood Marketing | 7.2 | 0.0 | 0.0 |
| Fisheries Business | 18.2 | 13.2 | 12.5 |
| Fishery Resource Landing | 2.2 | 3.1 | 2.7 |
| Subtotal | 27.6 | 16.3 | 15.2 |
| Other Tax | | | |
| Mining | 3.4 | 3.0 | 3.0 |
| Estate | 2.5 | 2.6 | 2.6 |
| Charitable Gaming | 2.3 | 2.3 | 2.3 |
| Subtotal | 8.2 | 7.9 | 7.9 |
| Licenses and Permits | | | |
| Motor Vehicle | 34.1 | 34.8 | 35.5 |
| Other | 34.3 | 22.4 | 22.4 |
| Subtotal | 68.4 | 57.2 | 57.9 |
| Charges for Services | 43.7 | 24.3 | 24.3 |
| Other Miscellaneous | 104.7 | 73.9 | 67.1 |
| **Subtotal Other Revenue** | **408.7** | **333.1** | **320.8** |
| ***UNRESTRICTED GENERAL PURPOSE REVENUE*** | **2,099.1** | **2,384.0** | **1,885.5** |

# C. Oil Price Forecast

Oil revenue will continue to account for over two-thirds of current *Unrestricted General Purpose Revenue*. Two elements are critical to the oil forecast: price and volume.

The spot price of ANS is quoted as a differential to West Texas Intermediate (WTI), a price that is primarily determined on the New York Mercantile Exchange (NYMEX). Almost all of Alaska's current oil production is delivered to refineries on the U.S. West Coast. Consequently, Alaska's royalty and severance tax revenue depends in large part on the market price of Alaska North Slope crude oil (ANS) in the U.S. West Coast refining centers.

The table below reflects actual prices for FY 2000 and the Department of Revenue's forecast of oil prices for the 10-year period beginning with the current fiscal year, FY 2001, and continuing through FY 2010. The short-term oil price forecast (FY 2001-2002) is based on a subjective assessment of both fundamental market assumptions and trend analysis by the participants at a price scenario meeting. Our long-term forecast (FY 2003-2010) assumes that price will converge to the average of the 60-month moving average of ANS West Coast price.

**Table 4. Delivered Price for ANS Crude Oil**
**Average West Texas Intermediate (WTI), ANS West Coast and ANS Wellhead**
$ per Barrel

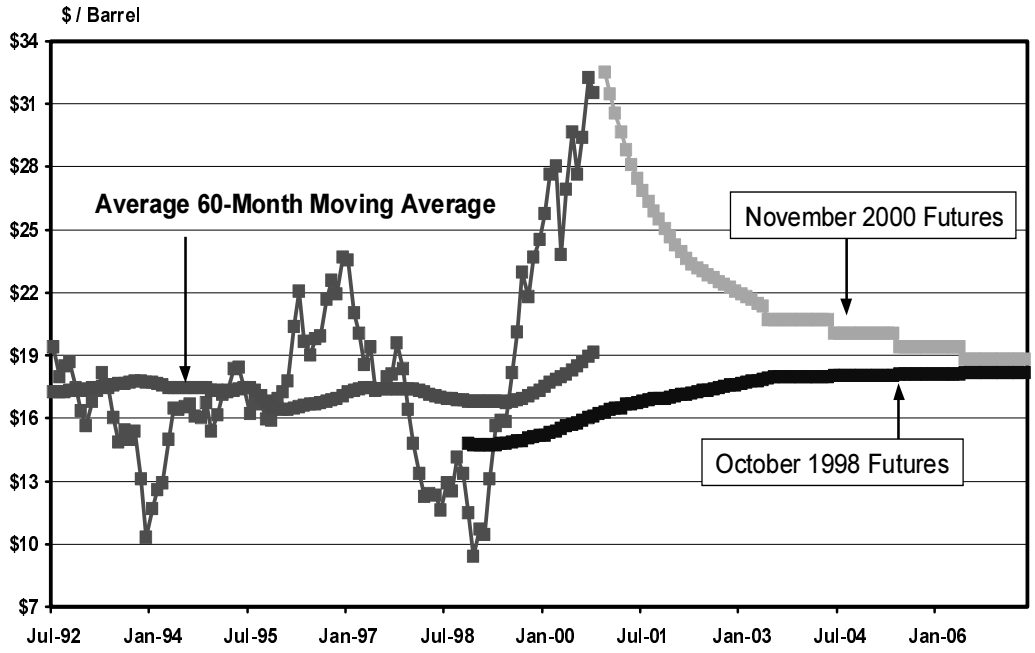
| Fiscal Year | WTI | ANS West Coast | ANS Wellhead |
|---|---|---|---|
| Actual 2000 | 24.82 | 23.27 | 18.82 |
| 2001 | 31.93 | 30.17 | 25.25 |
| 2002 | 26.01 | 24.28 | 19.26 |
| 2003 | 23.79 | 22.06 | 17.16 |
| 2004 | 22.79 | 21.06 | 16.07 |
| 2005 | 22.11 | 20.38 | 15.28 |
| 2006 | 18.99 | 17.25 | 12.01 |
| 2007 | 18.99 | 17.25 | 11.89 |
| 2008 | 18.99 | 17.25 | 11.65 |
| 2009 | 18.99 | 17.25 | 11.45 |
| 2010 | 18.99 | 17.25 | 11.26 |

The prices we are forecasting are consistent with the market prices experienced over the 15-year period since the 1986 oil price collapse. The figure on the next page depicts: (1) the monthly West Coast ANS market price from July 1992 through October 2000; (2) the 60-month moving average West Coast market price for the same period; and (3) a set of derived ANS futures prices for October 1998 and November 2000. [1]

[1] The derived ANS futures price is based on the spot market differential between WTI and ANS applied to the WTI futures prices as reported on the New York Mercantile Exchange (NYMEX).

The figure below clearly illustrates the volatility of the month-to-month crude oil prices; ANS West Coast prices during the pertinent time period ranged from just under $10 per barrel to over $32 per barrel. The average of the 60-month moving averages is $17.25 per barrel. Finally, the derived futures market prices reflected below show that the participants in that market anticipate a continuation of the post-1986 historic levels for oil prices. The derived futures price for ANS demonstrates a convergence tendancy after three years whether the current price is very low (as it was in October 1998) or very high (as it was in November 2000).

**Figure 2. ANS West Coast and Futures Market Oil Prices**

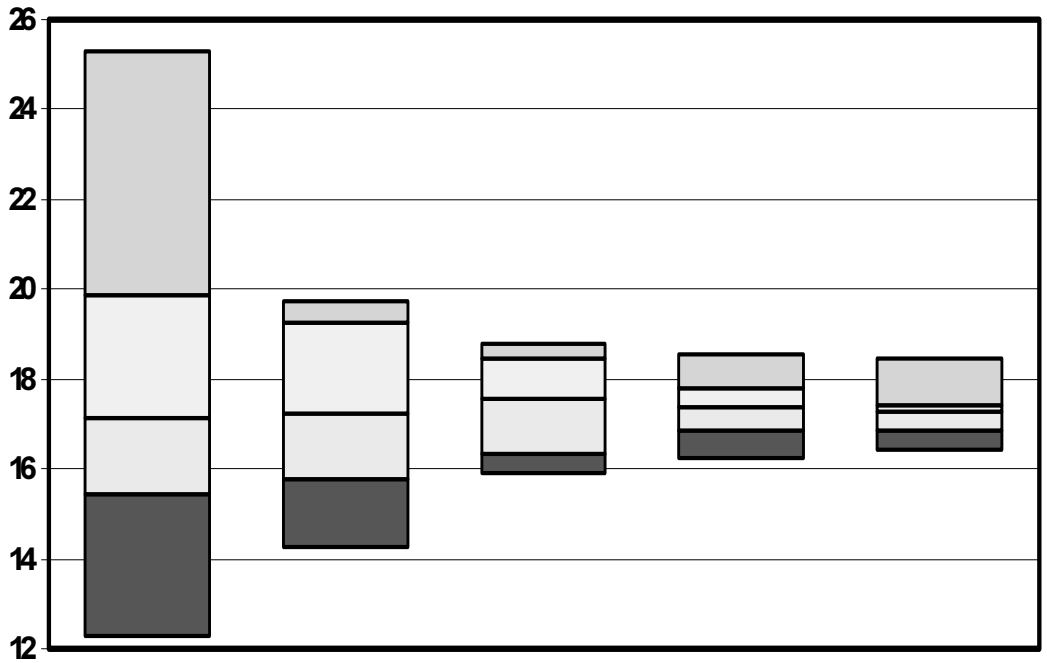



The figure on the next page reflects another analysis demonstrating both the short-term volatility and the longer-term stability of ANS West Coast market prices over the past 14 years. The left hand bar depicts the variability of ANS West Coast oil price for each of the rolling 12-month time periods (from December 1990-October 2000). Ninety-five percent of those average prices fall between $12.29 and $25.29 per barrel; 50 percent between $15.45 and $19.85 per barrel; and the median of those 12-month average prices is $17.13 per barrel.

The right hand bar depicts the variability of the rolling 60-month time period. The 60-month average ANS West Coast market prices were obviously very consistent. Ninety-five percent of those averages fall between $16.42 and $18.48 per barrel; 50 percent of the time, between $16.86 and $17.44 per barrel; and the median of those 60-month average prices is $17.28 per barrel. The middle three bars in the figure reflect the variability of the rolling 24-month, 36-month and 48-month time periods.

Those whose perspective is only one year should focus on the price range reflected in the 12-month or left hand bar. The bars to the right are more appropriate for the longer term.

**Figure 3. Cumulative Average ANS Oil Price (December 1990-October 2000) Moving Average and Confidence Intervals**




| Percentile Ranking | $ per Barrel 12-month | 24-month | 36-month | 48-month | 60-month |
|---|---|---|---|---|---|
| 2.5% | 25.29 | 19.73 | 18.78 | 18.55 | 18.48 |
| 25% | 19.85 | 19.27 | 18.46 | 17.82 | 17.44 |
| Median | 17.13 | 17.25 | 17.54 | 17.38 | 17.28 |
| 75% | 15.45 | 15.76 | 16.32 | 16.84 | 16.86 |
| 97.5% | 12.29 | 14.27 | 15.90 | 16.25 | 16.42 |

The percentile ranking is the probability of exceeding the corresponding ANS oil price.

# D. Oil Production Forecast

Although the average delivered price for ANS crude oil over all five-year periods since 1986 has been remarkably steady ranging from $16 to $19 per barrel, ANS production volumes have declined steadily over most of that time period. In 1988, ANS production peaked at 2.005 million barrels per day; it has declined steadily since. The figure on the next page depicts that decline. ANS production has dropped by 26 percent since FY 1997, the last year the state did not have to call upon its reserves to balance its budget.

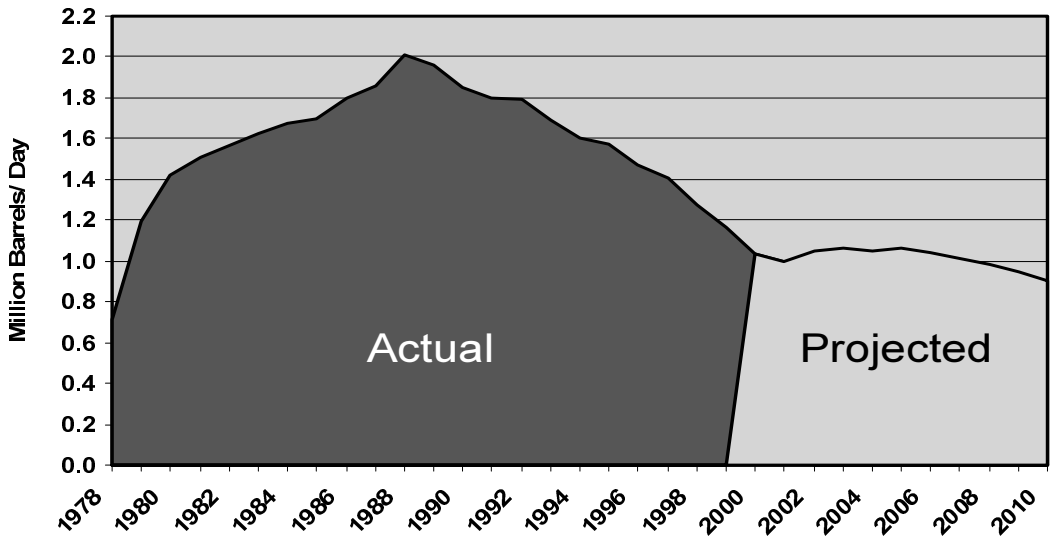
The table below summarizes the department's Alaska North Slope production forecast through FY 2010.

**Table 5. ANS Oil Production**
Million Barrels per Day

| Fiscal Year | ANS Production |
|---|---|
| Actual 2000 | 1.036 |
| 2001 | 1.000 |
| 2002 | 1.054 |
| 2003 | 1.068 |
| 2004 | 1.055 |
| 2005 | 1.072 |
| 2006 | 1.051 |
| 2007 | 1.022 |
| 2008 | 0.988 |
| 2009 | 0.955 |
| 2010 | 0.911 |

The figure below reflects the historical and projected rates for ANS oil production. We forecast a temporary reversal of the ANS production rate decline and a slight increase in the production rate during the period FY 2002 to 2005. This increase is driven by new developments at Alpine this year, Northstar, Meltwater and new Prudhoe Bay satellite production in FY 2002, Fiord in FY 2004 and Liberty in FY 2005.

**Figure 4. ANS Historical Production**




## New Oil Production

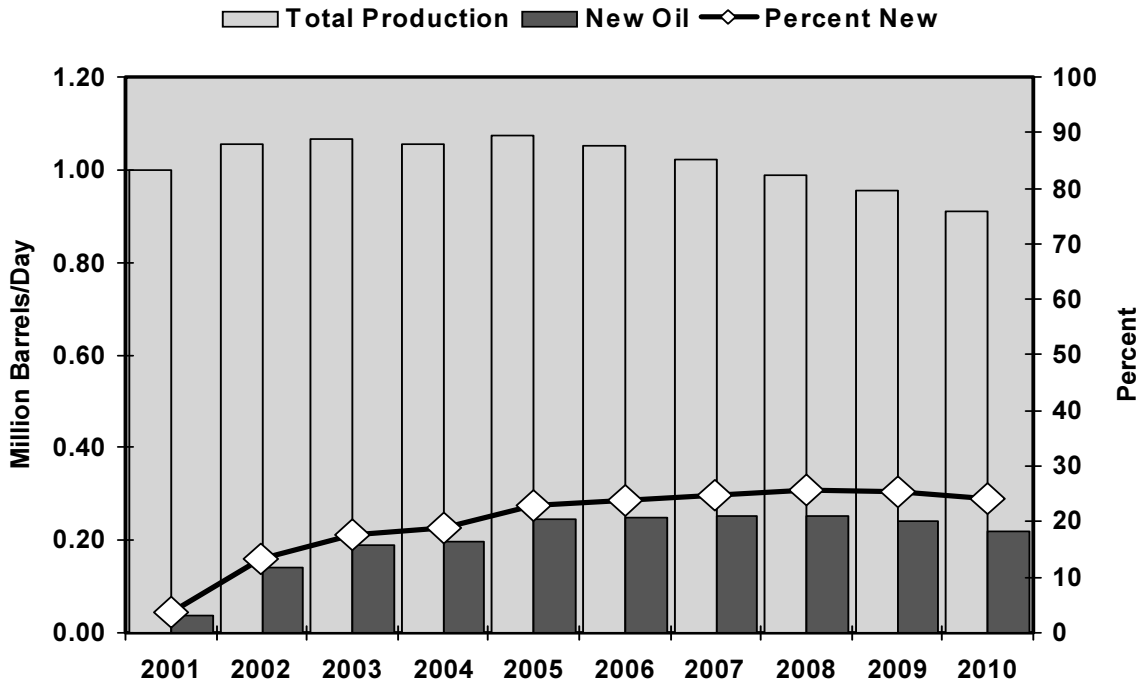
As the volumes from the giant Prudhoe Bay and Kuparuk fields continue to decline, some of the drop in output will be offset by new oil discoveries. In our forecast, new oil is defined as crude already discovered and about to come on-line. By FY 2008, as the table and figure on the next page show, over one-quarter of our forecasted oil production will come from fields not currently producing oil.

## Table 6. New Oil as a Percentage of Total Oil

Million Barrels per Day

| Fiscal Year | Total New Oil | Total Fall 2000 Forecast | New Oil as Percent of Fall Forecast |
|---|---|---|---|
| **2001** | 0.0376 | 1.0004 | 3.8 % |
| **2002** | 0.1402 | 1.0542 | 13.3 % |
| **2003** | 0.1881 | 1.0680 | 17.6 % |
| **2004** | 0.1979 | 1.0552 | 18.8 % |
| **2005** | 0.2439 | 1.0179 | 22.8 % |
| **2006** | 0.2504 | 1.0511 | 23.8 % |
| **2007** | 0.2524 | 1.0216 | 24.7 % |
| **2008** | 0.2530 | 0.9884 | 25.6 % |
| **2009** | 0.2413 | 0.9551 | 25.3 % |
| **2010** | 0.2204 | 0.9106 | 24.2 % |

## Figure 5. New Oil as a Percentage of Projected Oil



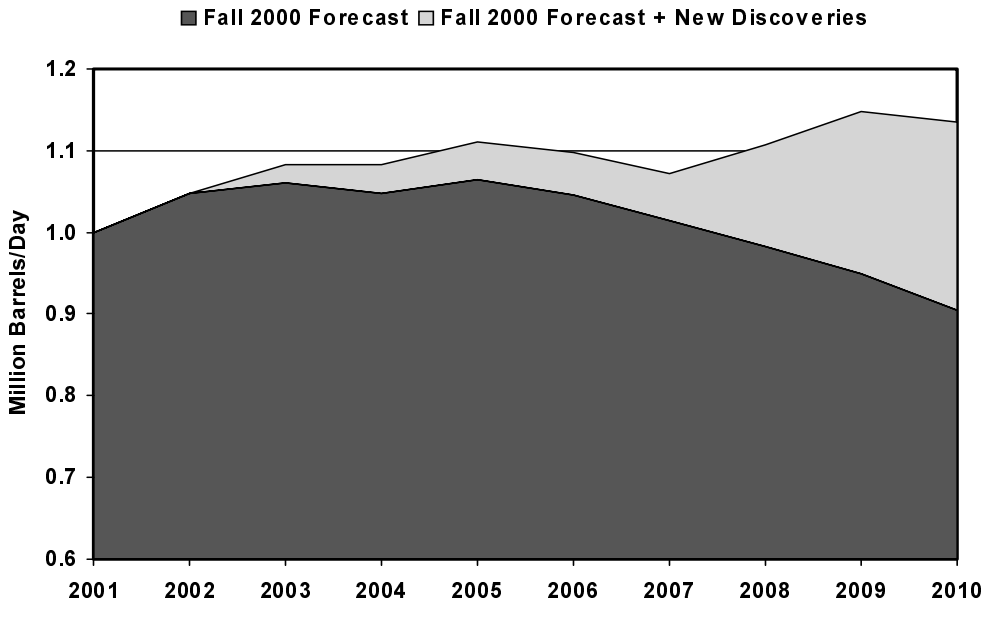
Our reference-case production forecast includes only production from known accumulations of oil. The U.S. Geological Survey has developed a procedure for estimating production from yet-to-be discovered reserves. The speculative barrels of production summarized in the following table were developed by the Department of Natural Resources in the spring of 1999 using that procedure. The additional revenue that could be generated from this production is reflected in the table and figure below.

## Table 7. Possible Additional Revenue Effect of New Discoveries

| Fiscal Year | Million bbl/day Discoveries Barrels[1] | $Million New Additional Revenue |
|---|---|---|
| 2002 | 0.0000 | 0.0 |
| 2003 | 0.0228 | 7.9 |
| 2004 | 0.0342 | 11.4 |
| 2005 | 0.0461 | 15.4 |
| 2006 | 0.0529 | 17.6 |
| 2007 | 0.0572 | 19.1 |
| 2008 | 0.1252 | 59.7 |
| 2009 | 0.1995 | 100.4 |
| 2010 | 0.2302 | 116.8 |

[1] See Appendix F for breakdown by field.

## Figure 6. Potential New Discoveries of Oil

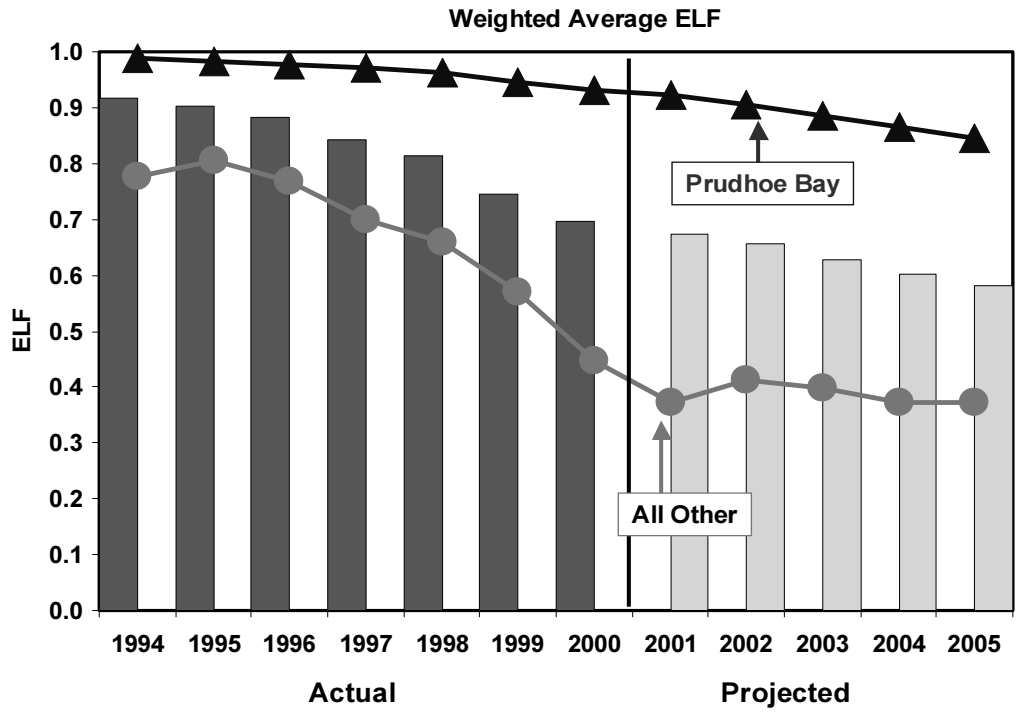


## Economic Limit Factor

The average rate of severance taxation on North Slope production has been falling as the result of the tax adjustment known as the Economic Limit Factor (ELF). The ELF is a factor that reduces the nominal severance tax rate on a producing reservoir based on the average rate of production from the reservoir and the average productivity of the wells producing that reservoir. Since oil production rates and well productivity decline over time as an oil field is being produced, the average severance tax rate will fall as well. Further, the ELF reduces the tax rate on smaller oil fields such that most fields producing less than 20,000 barrels per day will pay little or no severance tax.

Since much of Alaska's current and projected North Slope oil production will continue to come from old oil fields and new production will come from small fields, the average tax rate will continue to fall. The average oil production tax rate for North Slope production in FY 1994 was 13.5 percent; we project that for FY 2001 it will average 9.5 percent. The figure below illustrates the actual weighted average ELF for North Slope oil production since 1994 and our projection of that weighted average through FY 2005. The Prudhoe Bay ELF is also shown as well as the average ELF for all of the other North Slope fields that have ELFs that are greater than zero.

**Figure 7. Economic Limit Factor With ELF Greater Than Zero Actual FY 1994-2000 and Projected FY 2001-2005**
Percent



## Large Scale Development of Alaska North Slope Gas

Possible commercialization scenarios for North Slope gas include liquefied natural gas, gas-to-liquids and a pipeline across Canada to markets in the upper Midwest of the United States. The latter is currently drawing the most interest as a result of recent high gas prices in the U.S., as well as the expectation of substantial increases in gas demand there. However, given the uncertainty of the economics of other potential competing gas supplies and the uncertainty of construction costs, no definite decision to proceed has been made at this time. Accordingly, no revenues from North Slope gas are included in this forecast. The Department of Revenue estimates that a gas project would bring in between $200 million and $400 million annually on a long-term sustained basis, depending on gas prices and construction costs.

# E. Longer-Term Unrestricted Revenue Outlook

Using the price and volume components developed in the previous two sections, the table below summarizes the department's forecast of Total *Unrestricted General Purpose Revenue* through FY 2010.

**Table 8.** Total ***Unrestricted General Purpose Revenue,***
**Actual FY 2000 and Projected FY 2001-2010**
$ Million

| Fiscal Year | (see Table 12) Unrestricted Oil Revenue | (see Table 21) Unrestricted Investment Revenue | (see Table 26) Unrestricted Other Revenue | *Unrestricted General Purpose Revenue* | Percent from Oil |
|---|---|---|---|---|---|
| **Actual 2000** | 1,642.3 | 48.1 | 408.7 | 2,099.1 | 78 |
| **2001** | 2,010.6 | 40.3 | 333.1 | 2,384.0 | 84 |
| **2002** | 1,524.4 | 40.3 | 320.8 | 1,885.5 | 81 |
| **2003** | 1,322.8 | 40.3 | 320.1 | 1,683.2 | 79 |
| **2004** | 1,195.0 | 40.3 | 319.4 | 1,554.7 | 77 |
| **2005** | 1,104.4 | 40.3 | 320.7 | 1,465.5 | 75 |
| **2006** | 884.8 | 40.3 | 322.0 | 1,247.1 | 71 |
| **2007** | 830.5 | 40.3 | 323.6 | 1,194.4 | 70 |
| **2008** | 770.2 | 40.3 | 334.0 | 1,144.5 | 67 |
| **2009** | 715.2 | 40.3 | 335.9 | 1,091.3 | 66 |
| **2010** | 663.8 | 40.3 | 337.7 | 1,041.9 | 64 |

# F. Constitutional Budget Reserve

The table below reflects the amount needed to make up the difference between the *Unrestricted General Purpose Revenue* the Department of Revenue forecasts and an annual General Fund budget of $2.4 billion [1] for each year from FY 2001 through FY 2010.

**Table 9. Difference Between *Unrestricted General Purpose Revenue* and General Fund Budget - "The Gap"**
$ Million

| Fiscal Year | Total *Unrestricted General Purpose Revenue* | General Fund [1] | Difference |
|---|---|---|---|
| **2001** | 2,384.0 | 2,267.2 | 116.8 |
| **2002** | 1,885.5 | 2,400.0 | (514.5) |
| **2003** | 1,683.2 | 2,400.0 | (716.8) |
| **2004** | 1,554.7 | 2,400.0 | (845.3) |
| **2005** | 1,465.5 | 2,400.0 | (934.5) |
| **2006** | 1,247.1 | 2,400.0 | (1,152.9) |
| **2007** | 1,194.4 | 2,400.0 | (1,205.6) |
| **2008** | 1,144.5 | 2,400.0 | (1,255.5) |
| **2009** | 1,091.3 | 2,400.0 | (1,308.7) |
| **2010** | 1,041.9 | 2,400.0 | (1,358.1) |

[1] Any budget figure used to derive "The Gap" will have its detractors. What about cuts? What about funding urgent needs? What about inflation and population growth? This amount, based on the FY 2000 General Fund budget of approximately $2.4 billion, simply provides a reference point for analysis.

As approved by voters in 1990, all of the money from oil and gas tax and royalty settlements are deposited into the Constitutional Budget Reserve Fund. Over the past nine years the state has deposited about $5.5 billion into the reserve fund and has earned $1.2 billion on the money.

For all but one of those years, the state has relied on the CBRF to fill the difference between *Unrestricted General Purpose Revenue* and the annual state budget.

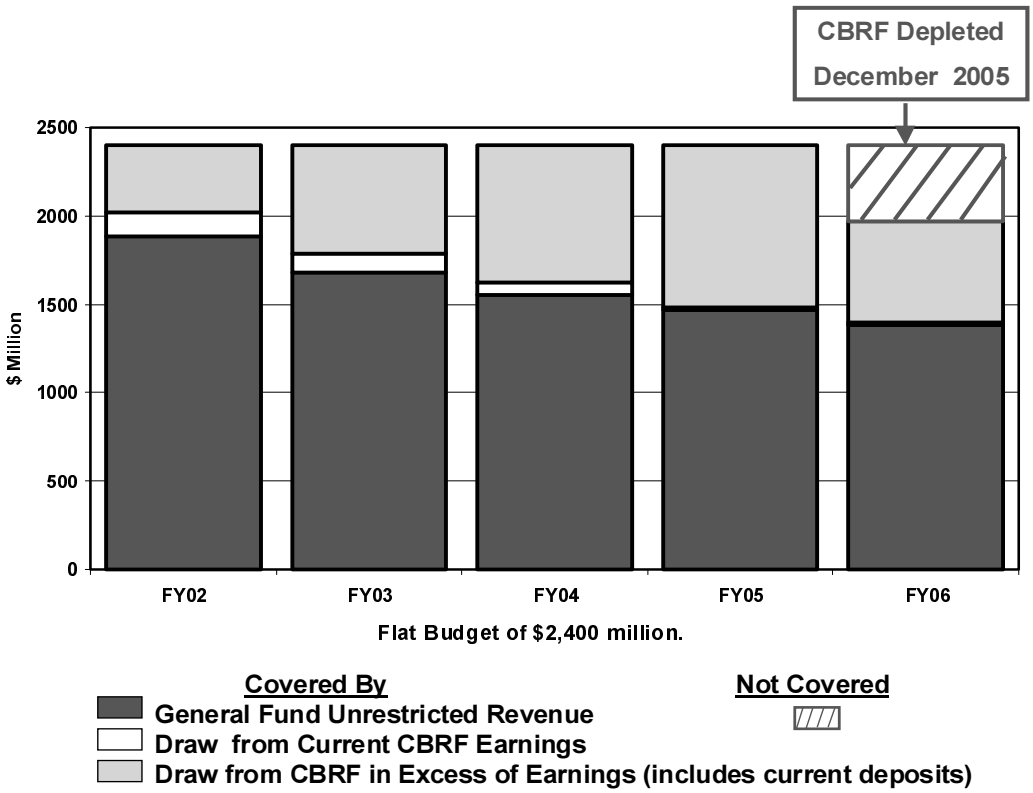
Through September 2000, $4 billion has been withdrawn from the CBRF to balance the budget, leaving a current balance of about $2.7 billion.

This table reflects the CBRF Depletion Matrix and the time period the fund could continue to be used to make up the difference between *Unrestricted General Purpose Revenue* and the General Fund budget at various oil prices and budget levels. For example, if we are correct in our oil price forecast and the General Fund budget remains at $2.4 billion per year, the CBRF will be exhausted in December 2005.

**Table 10. CBRF Depletion Matrix**
$ per Barrel

| Annual Budget Change | $12.50 | Fall 2000 Forecast | $25.50 |
|---|---|---|---|
| **+3.0%** | Oct-2003 | Jul-2005 | Jul-2006 |
| **+1.0%** | Nov-2003 | Oct-2005 | Jul-2007 |
| **0.0%** | Dec-2003 | **Dec-2005** | Sep-2007 |
| **-1.0%** | Dec-2003 | Jul-2006 | Jul-2008 |
| **-3.0%** | Jan-2004 | Nov-2006 | 2010+ |

**Figure 8. Anticipated Life of the Constitutional Budget Reserve Fund**

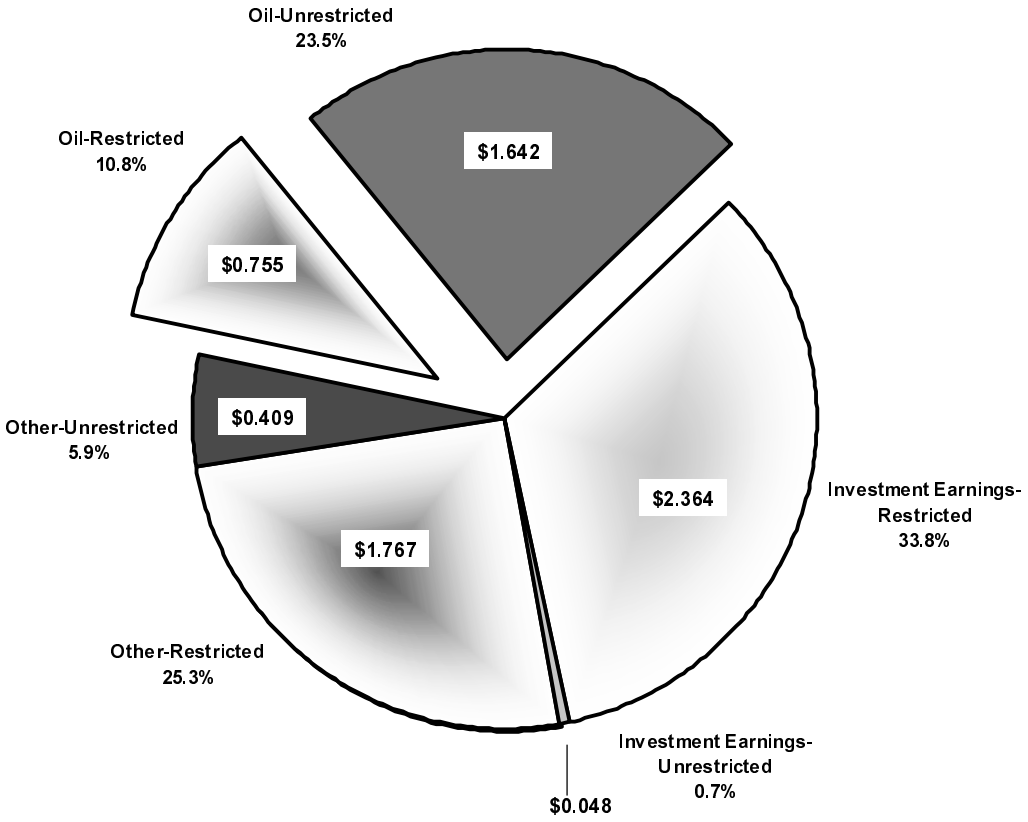


# IV. OIL REVENUE

**Table 11. Total Oil Revenue, Actual FY 2000 and Projected FY 2001-2002**
$ Million

| | Actual FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| **Unrestricted** | | | |
| Property Taxes | 45.0 | 44.4 | 42.2 |
| Corporate Income Taxes | 162.7 | 250.0 | 200.0 |
| Severance Taxes | 702.7 | 810.9 | 578.7 |
| Royalties (including Bonuses) | 731.9 | 905.3 | 703.5 |
| **Subtotal** | **1,642.3** | **2,010.6** | **1,524.4** |
| **Restricted** | | | |
| Royalties to Permanent Fund & School Fund | 306.5 | 348.2 | 295.9 |
| Settlements to CBRF | 448.3 | 100.0 | 45.0 |
| **Subtotal** | **754.8** | **448.2** | **340.9** |
| **Total** | **2,397.1** | **2,458.8** | **1,865.3** |

**Figure 9. FY 2000 Total Revenue** ($ Billion)



# General Discussion

Oil revenue includes revenue from both oil and gas. The state receives its oil revenue from four sources: oil and gas production tax, property tax, royalties and corporation income tax. The bulk of the revenue received from taxes and royalties goes into the General Fund for general purpose spending. Roughly 25 percent of the royalty revenue goes directly into the principal of the Permanent Fund and 0.5 percent goes into the Public School Trust Fund. Settlements of tax and royalty disputes between the State of Alaska and the oil-producing companies go into the Constitutional Budget Reserve Fund (CBRF).

The figure below shows the actual proportion of oil revenue from each source. The CBRF funds flow from disputes involving all four revenue types.

As can be seen from the figure, royalties and severance taxes constitute the largest part of oil revenue–both restricted and unrestricted. This section begins with a discussion of these two revenue sources, both of which are driven by price and volume. We then review the price forecasting methodology that underlies our forecast, as well as explore how those market prices are turned into wellhead values. We also review our volume forecast, and close this section with a discussion of oil and gas property taxes, oil and gas corporate income taxes and the restricted portions of oil revenue.

**Figure 10. FY 2000 Oil Revenue By Category**

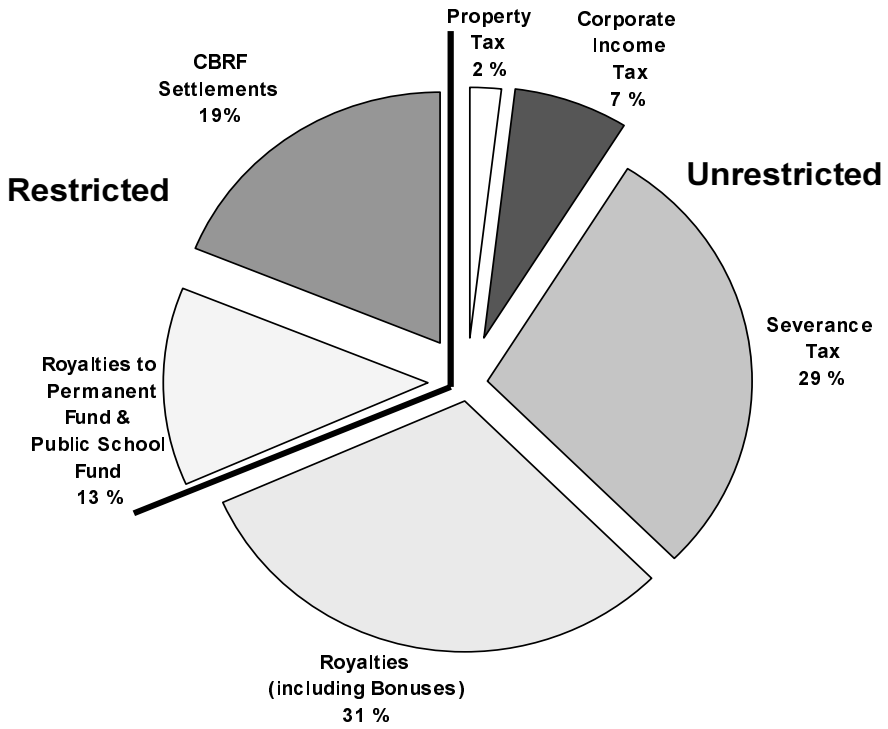


**Table 12. Unrestricted Oil Revenue Projections, Actual FY 2000 and Projected FY 2001-2010**
$ Million

| Fiscal Year | Property Tax | Corporate Income Tax | Severance Tax | Royalties including Bonuses | Total Oil |
|---|---|---|---|---|---|
| **Actual 2000** | 45.0 | 162.7 | 702.7 | 731.9 | **1,642.3** |
| **2001** | 44.4 | 250.0 | 810.9 | 905.3 | **2,010.6** |
| **2002** | 42.2 | 200.0 | 578.7 | 703.5 | **1,524.4** |
| **2003** | 40.4 | 170.0 | 482.2 | 630.2 | **1,322.8** |
| **2004** | 38.5 | 165.0 | 410.4 | 581.0 | **1,195.0** |
| **2005** | 36.7 | 160.0 | 361.9 | 545.9 | **1,104.4** |
| **2006** | 34.8 | 160.0 | 272.6 | 417.4 | **884.8** |
| **2007** | 33.1 | 150.0 | 243.7 | 403.7 | **830.5** |
| **2008** | 31.4 | 140.0 | 211.4 | 387.4 | **770.2** |
| **2009** | 29.7 | 130.0 | 185.4 | 370.0 | **715.1** |
| **2010** | 28.0 | 120.0 | 166.2 | 349.7 | **663.8** |

# Unrestricted Oil Revenue

## Oil and Gas Production Taxes

All production of oil and gas in Alaska is subject to oil and gas production taxes. The taxes are levied on all production except for the state's royalty production. The taxes consist of the oil and gas production tax and the hazardous release surcharge that is only levied on oil. The conservation surcharge was repealed effective July 1, 1999.

### Oil Production Tax.

The rate of taxation for oil varies depending on the vintage of the field and is further subject to the economic limit factor (ELF). The ELF varies depending on field size and well productivity.

The current severance tax rate on oil is 12.25 percent of production value, as determined at the point of production, for the first five years of production and 15 percent thereafter. There is a minimum tax of $0.80 per barrel.

Both the percent of value and the cents per barrel tax rates are subject to the ELF. The appropriate tax rate is multiplied by the ELF to determine the effective tax rate.

The ELF formula for oil production is as follows: [1]

ELF = (1-(300/PPW))^((150,000/TP)^1.5333)

Where PPW = Average oil production per well per day in the field
TP = Average daily production from the field
^ = Exponential

[1] If a field produces 300 barrels per day per well or less the ELF is zero (i.e., no severance taxes are assessed.)

The two exponents in the formula result in a tax schedule with extremely low tax rates for smaller, low productive fields and higher tax rates for larger, highly productive fields. There is a unique ELF for every combination of field size and well productivity.

The value of the oil production for taxes is determined by deducting allowable marine and pipeline transportation costs from the sales price to determine the value at the point of production. The sales price for most sales is tied by regulation directly or indirectly to the West Coast spot price of ANS crude oil.

### Natural Gas Production Tax.

The severance tax rate on gas is 10 percent of production value. There is a minimum tax of $.064 per million cubic feet.

The ELF formula for gas production is as follows:

ELF = 1-(3000/PPW)

Where PPW = Average gas production per well per day in the field

The taxable value of gas depends on location and use. For Cook Inlet production, the value for LNG sales is based on the sales price in Tokyo less marine and pipeline costs; the value for sales to the fertilizer plant are indexed to the price of anhydrous ammonia; the value for sales for local use are based on the average of the sales contracts in effect each month. North Slope gas sales are taxed at a value equal to 10 percent of the average netback value.

### Hazardous Release Surcharge.

Following the 1989 grounding of the Exxon Valdez, this tax was enacted in order to provide a hazardous substance release emergency fund.

The surcharge is comprised of two components (1) a $.03 per barrel charge on all oil production excluding public royalty barrels and (2) an additional $.02 per barrel charge on all oil production whenever the balance in the state oil and hazardous substance release prevention and response fund falls below $50 million. The balance of the fund was $50 million or greater for all of FY 2000 so that the surcharge was $.03 per barrel for the entire fiscal year.

All of the oil and gas production taxes are collected on a monthly basis.

## Oil Royalties

Almost all Alaska oil and gas production occurs on state-owned lands that were leased by the state for exploration and development of oil and gas resources. As the land owner, the state can earn revenue both from lease sales in the form of rents and bonuses and also by retaining a royalty interest in any oil and gas produced from state leases.

Generally, the state issues leases based on a competitive bonus bid system with a royalty interest of 12.5 percent. Some currently producing leases carry a 16.67 percent royalty and some may have a royalty rate as high as 20 percent. The vast majority of current production is from leases that have a 12.5 percent state royalty interest.

The lease allows the state to take its royalty in barrels (in-kind) or as a percentage of the production value (in-value). Currently the state is taking approximately 50,000 barrels per day of Prudhoe Bay production in-kind and selling it to the Williams refinery in North Pole. The state's royalty share of Alaska North Slope production amounts to approximately 125,000 barrels per day.

The royalty oil taken in-value is priced according a formula that uses a market basket of spot crude oil prices closely approximating the West Coast spot price of oil, less a transportation allowance back to the lease.

## Oil Production Revenue Forecasting Methodology and Assumptions

The Department of Revenue uses a variety of models and techniques to prepare the petroleum production revenue forecast. The forecast is developed from estimates of oil and gas production by field. The production forecast is developed by our engineering consultants in conjunction with the Alaska Department of Natural Resources and the Alaska Oil and Gas Conservation Commission.

The value of the production is forecast by developing a projection of the price of oil and the cost of shipping oil by tanker and pipeline to market. The oil price forecast assumptions are developed at a formal oil price scenario setting meeting with the assistance of state economists and financial professionals from the Department of Revenue, Department of Natural Resources, Department of Labor, the Office of Management and Budget and the University of Alaska.

## Oil Price Forecast

The short-term oil price forecast (FY 2001-2002) is based on a subjective assessment of both fundamental market assumptions and trend analysis by the participants at the price scenario meeting. Our long-term forecast (FY 2003-on) assumes that price will converge to the average of the 60-month moving average of ANS West Coast price. The information presented and analyzed by the participants and our fall 2000 oil price scenario specific assumptions are in the discussion that follows.

**Oil Market Fundamentals.**
The reference case forecast for oil prices begins with an assessment of the future of market supply and demand. Given this assessment, the price scenarios are based on the relative success we assume the Organization of Petroleum Exporting Countries (OPEC) will have managing the market share implied by our supply and demand scenario.

We assume that the rate of growth in the global economy will slow as a result of the higher than normal oil prices experienced over the past year. The Asian economies outside of Japan will continue their rapid growth, with much slower growth expected in North America and Europe. As a result, we project oil demand worldwide will increase by roughly 700,000 to 800,000 barrels per year on an annual basis through 2005.

Non-OPEC production has so far averaged roughly 1.2 million barrels per day higher than in 1999 as the result of higher prices and robust demand in 2000. We assume that the response to current high oil prices will result in further non-OPEC production increases of 600,000 barrels per day in both 2000 and 2001.

On balance, this scenario suggests that OPEC need not increase production by much over current levels to meet demand. Given low oil inventory in key markets like the U.S., there is room for OPEC to increase its production in the short term without creating a rapid decline in oil prices. We believe that under this scenario that slowing demand growth combined with increased production from both OPEC and non-OPEC should cause oil prices to begin drifting back toward the mid-range of OPEC's target band of $22 to $28 per barrel by next summer. However, if the global economy slows and oil demand growth tapers off more than we are projecting, OPEC may find itself back in a production-cutting scenario to prevent an oil price collapse.

Our detailed assumptions about market fundamentals are contained in the table on the next page.

## Table 13. Global Market Assumptions
Million Barrels per Day

| | Actual 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|
| **DEMAND** | | | | | | |
| **OECD** | | | | | | |
| North America | 24.0 | 24.1 | 24.2 | 24.3 | 24.4 | 24.5 |
| Europe | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 |
| Pacific | 8.7 | 8.7 | 8.8 | 8.8 | 8.9 | 8.9 |
| **Total OECD** | **47.8** | **47.9** | **48.1** | **48.2** | **48.4** | **48.5** |
| **Non-OECD** | | | | | | |
| Former USSR | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 |
| East Europe | 0.8 | 0.9 | 0.9 | 1.0 | 1.1 | 1.2 |
| China | 4.7 | 4.9 | 5.2 | 5.4 | 5.7 | 6.0 |
| Other Asia | 7.3 | 7.7 | 8.0 | 8.5 | 8.9 | 9.3 |
| Latin America | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 |
| Middle East | 4.3 | 4.3 | 4.3 | 4.3 | 4.3 | 4.3 |
| Africa | 2.4 | 2.4 | 2.4 | 2.5 | 2.5 | 2.5 |
| **Total Non-OECD** | **27.8** | **28.5** | **29.2** | **30.0** | **30.8** | **31.6** |
| **TOTAL DEMAND** | **75.6** | **76.4** | **77.3** | **78.2** | **79.1** | **80.1** |
| **SUPPLY** | | | | | | |
| **Non-OPEC** | | | | | | |
| OECD | 22.2 | 22.4 | 22.6 | 22.9 | 23.1 | 23.3 |
| Former USSR | 7.9 | 8.1 | 8.2 | 8.3 | 8.4 | 8.5 |
| Eastern Europe | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| China | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 |
| LDCs [1] | 10.7 | 10.9 | 11.1 | 11.5 | 11.8 | 12.2 |
| Processing Gain | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 |
| **Total Non-OPEC** | **45.9** | **46.5** | **47.1** | **47.7** | **48.4** | **49.1** |
| **OPEC** | 26.9 | 27.1 | 27.4 | 27.6 | 27.9 | 28.2 |
| OPEC NGLs | 2.8 | 2.8 | 2.8 | 2.9 | 2.9 | 2.9 |
| **Total OPEC** | **29.7** | **29.9** | **30.2** | **30.5** | **30.7** | **31.1** |
| **TOTAL PRODUCTION** | **75.6** | **76.4** | **77.3** | **78.2** | **79.1** | **80.1** |

[1] Lesser Developed Countries (LDCs) include Asia (excluding China), Latin America, the Middle East and Africa.
[2] Due to rounding to one decimal, columns may not exactly total.

## Current Oil Market Situation.

Oil markets continue to remain tight, with high prices and low inventories in key markets. OPEC stated that, effective October 31, it would increase production by an additional 500,000 barrels per day to bring prices back in line with its target range. It is not clear at this time when this will be implemented. Published market data on global supply and demand continues to be an issue for both buyers and sellers. Information collected by the International Energy Administration suggests that there is plenty of oil being produced (relative to consumption) and that inventory statistics should begin to show this — but so far the inventory statistics in the U.S. still show very tight inventories. A complicating factor is that supply bottlenecks continue worldwide, contributing to the tight market as tankers and refinery capacity are in short supply.

History suggests that market forces lead to lower prices when oil sells for more than $20 per barrel. Currently, we are seeing a production response by both OPEC and non-OPEC to higher prices. The real uncertainty, however, is on the demand side. So far the consumption response to high oil prices has been muted, although dollar inflation has occurred and there are signs that the U.S. and Asian economies are slowing. As always, weather and political upheaval in the Middle East can also have a dramatic effect on demand and supply.

Organization of Petroleum Exporting Countries. OPEC has increased production by 3.5 million barrels per day since January 2000. As mentioned perviously, the OPEC-10 (OPEC including Iraq) have announced that they intend to increase production by an additional 500,000 barrels per day.

**Table 14. OPEC Production [1]**
**Million Barrels per Day**

| | | OPEC Agreed Quotas | | | |
|---|---|---|---|---|---|
| | Oct | Oct | Jul | Apr-Jun | pre-Apr |
| Country | 2000 | 2000 | 2000 | 2000 | 2000 |
| Algeria | 0.85 | 0.84 | 0.81 | 0.79 | 0.73 |
| Indonesia | 1.28 | 1.36 | 1.32 | 1.28 | 1.19 |
| Iran | 3.81 | 3.84 | 3.73 | 3.62 | 3.36 |
| Kuwait [2] | 2.21 | 2.10 | 2.04 | 1.98 | 1.84 |
| Libya | 1.45 | 1.40 | 1.36 | 1.32 | 1.23 |
| Nigeria | 2.00 | 2.16 | 2.09 | 2.03 | 1.89 |
| Qatar | 0.71 | 0.68 | 0.66 | 0.64 | 0.59 |
| Saudi Arabia [2] | 8.80 | 8.51 | 8.25 | 8.02 | 7.44 |
| UAE | 2.29 | 2.29 | 2.22 | 2.16 | 2.00 |
| Venezuela | 3.05 | 3.02 | 2.93 | 2.85 | 2.72 |
| Subtotal (less Iraq) | 26.45 | 26.20 | 25.40 | 24.69 | 22.98 |
| Iraq | 2.96 | | | | |
| Total OPEC | 29.41 | | | | |

[1] Source: Middle East Economic Survey, November 20, 2000.
[2] Share Neutral Zone output.

Alaska North Slope. ANS West Coast spot prices for the first five months of the fiscal year are averaging over $30 per barrel, up from last November when they averaged $23.65 per barrel. The continued strength in world oil prices clearly influenced the price in the U.S. West Coast market. At the same time, declining ANS production has resulted in West Coast refiners importing significant amounts of ANS quality crude oil. In August, 370,000 barrels per day of ANS quality crude were imported into the West Coast from the Middle East (Saudi Arabia, Iraq, UAE and Yemen), as well as 72,000 barrels per day from Ecuador, Mexico and Peru.

ANS, like all crude oils both foreign and domestic, is sold in U.S. markets for a price that either directly or indirectly references U.S. benchmark crude oil — West Texas Intermediate (WTI). The spot price difference between ANS for West Coast Delivery and WTI was as wide as $2.05 per barrel in early August but has narrowed to $1.45 per barrel in October. ANS sells for less than WTI primarily because it is a lower quality feedstock for most refineries.

Given the increasing proportion of high sulfur crude oils (like ANS) coming into the market, this forecast assumes a differential of $1.78 per barrel in FY 2001, and roughly $1.75 per barrel through FY 2010.

There have been no sales of ANS in Asia since April 2000.

Currently all of Alaska's oil production taxes and royalties are closely tied to ANS spot oil prices for delivery to West Coast refineries, as reported in Platt's Oilgram Price Report. The West Coast spot price is used as the standard for computing state oil production taxes for sales for West Coast delivery and for establishing the value standard for sales in Alaska. Royalties are paid on the basis of different formulas for different producers. All of the formulas rely to some extent on a market basket of crude oil prices that includes the ANS spot price.

**Table 15. Fall 2000 Forecast Assumptions**
$ per Barrel

| Fiscal Year | ANS West Coast Price | ANS Marine Transportation | TAPS Tariff | Feeder Pipeline | ANS Wellhead |
|---|---|---|---|---|---|
| **Actual 2000** | 23.27 | 1.60 | 2.74 | 0.11 | 18.82 |
| **2001** | 30.17 | 1.63 | 3.12 | 0.15 | 25.28 |
| **2002** | 24.28 | 1.60 | 3.24 | 0.18 | 19.26 |
| **2003** | 22.06 | 1.60 | 3.09 | 0.21 | 17.16 |
| **2004** | 21.06 | 1.60 | 3.16 | 0.22 | 16.07 |
| **2005** | 20.38 | 1.60 | 3.20 | 0.30 | 15.28 |
| **2006** | 17.25 | 1.60 | 3.30 | 0.34 | 12.01 |
| **2007** | 17.25 | 1.60 | 3.40 | 0.36 | 11.89 |
| **2008** | 17.25 | 1.70 | 3.53 | 0.37 | 11.65 |
| **2009** | 17.25 | 1.80 | 3.64 | 0.36 | 11.45 |
| **2010** | 17.25 | 1.85 | 3.79 | 0.35 | 11.26 |

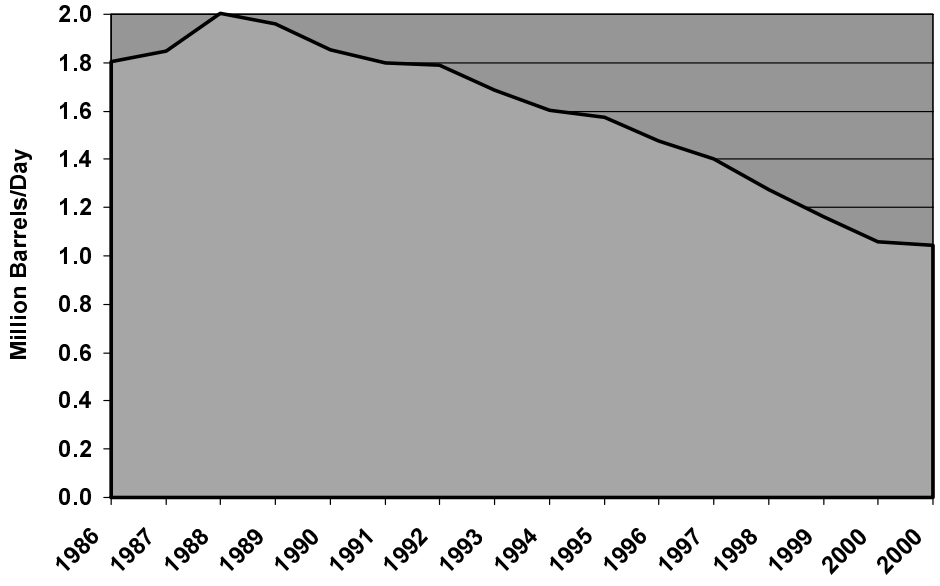
## Oil Production

The production assumptions were developed on a field-by-field basis. The forecast is based on company-by-company assessed proven and probable reserves, development plans where available, and assessments by the technical personnel at the Department of Revenue, Department of Natural Resources and the Alaska Oil and Gas Conservation Commission.

The production forecast has changed little from the spring 2000 forecast. Our fall forecast for FY 2001 trims, on average, a little less than 30,000 barrels per day from our spring forecast due to the four-month delay in the start-up of Alpine. However, with higher prices and new development activity, we expect to add another 50,000 barrels per day in FY 2002 and 2003 and an additional 120 million barrels of oil production through 2010. We expect ANS production to remain above 1 million barrels per day through FY 2007, averaging 1.046 million barrels per day. Longer term, we expect production to decline after FY 2007 at an average rate of roughly 5 percent per year.

New developments at Alpine (2001 start-up), satellite fields in Prudhoe Bay (Aurora and Polaris), Kuparuk (Meltwater) and other satellite fields, plus Northstar (2002 and 2003 start-ups), Fiord (2004 start-up), Liberty (2005 start-up) and further development of viscous or heavy oil, are key to holding off an overall North Slope production decline over the next six years.

**Figure 11. Historical ANS Production**



## Table 16. ANS Oil and NGL Production
Million Barrels per Day

| | Actual FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| Prudhoe Bay | 0.5195 | 0.5005 | 0.4660 |
| Prudhoe Bay NGLs | 0.0508 | 0.0489 | 0.0460 |
| Midnight Sun | 0.0039 | 0.0043 | 0.0050 |
| Polaris | 0.0006 | 0.0023 | 0.0080 |
| PBU-Satellites | 0.0000 | 0.0000 | 0.0040 |
| Aurora | 0.0000 | 0.0019 | 0.0057 |
| Kuparuk | 0.2120 | 0.1928 | 0.1730 |
| West Sak | 0.0035 | 0.0042 | 0.0089 |
| Tabasco | 0.0061 | 0.0045 | 0.0045 |
| Tarn | 0.0269 | 0.0222 | 0.0205 |
| Meltwater | 0.0000 | 0.0000 | 0.0150 |
| Milne Point | 0.0470 | 0.0438 | 0.0431 |
| Schrader Bluff | 0.0062 | 0.0089 | 0.0155 |
| Sag River | 0.0001 | 0.0003 | 0.0015 |
| Endicott [1] | 0.0401 | 0.0355 | 0.0351 |
| Eider | 0.0004 | 0.0013 | 0.0013 |
| Badami | 0.0036 | 0.0022 | 0.0020 |
| Lisburne | 0.0088 | 0.0097 | 0.0107 |
| Point McIntyre | 0.0794 | 0.0611 | 0.0527 |
| Niakuk | 0.0246 | 0.0190 | 0.0146 |
| West Beach | 0.0019 | 0.0011 | 0.0011 |
| N Prudhoe Bay State | 0.0000 | 0.0002 | 0.0005 |
| Alpine | 0.0000 | 0.0357 | 0.0875 |
| Northstar | 0.0000 | 0.0000 | 0.0320 |
| **Total** | **1.0354** | **1.0003** | **1.0542** |

[1] Includes Sag Delta.

## Other Transportation and Production Costs

### Transportation Costs.

Recent review of the projected shipping requirements and current costs, as well as our current ANS production forecast, has led to a modest downward adjustment in our forecasted marine transportation costs. Although the forced retirement of vessels without double hulls per the Oil Pollution Act of 1990 and new more expensive vessels on order will increase costs, declining production will reduce shipping requirements. Moreover, the destination markets most distant and most costly from Valdez will be relinquished first as production declines.

### Trans-Alaska Pipeline System (TAPS) Tariffs.

The TAPS tariff is determined according to the TAPS Settlement Methodology, a rate-making method approved by the Federal Energy Regulatory Commission that allows the TAPS owners to recover their costs, including an allowance for profit. Under the agreement, future tariffs will be determined by operating cost trends, the production rate and CPI-inflation.

TAPS tariffs are filed on a calendar year basis with new tariffs taking effect January 1 each year. The expected tariff filing for calendar 2000 is $2.87 per barrel. Table 15 contains projected tariffs on a fiscal year basis for FY 2001-2010.

### Feeder Pipeline Costs.

Table 15 also contains projected pipeline costs. Certain additional transportation costs are also incurred to move the various crude oils that comprise ANS to the trans-Alaska pipeline system. These include both feeder pipeline charges and other cost adjustments to account for the different qualities of oil entering the pipeline.

### Wellhead Price.

The combination of ANS wellhead value and production by field is the basis for both state severance taxes and royalties. The wellhead value by field is calculated by subtracting the relevant pipeline tariff and marine transportation costs (as well as adjustments for North Slope feeder pipelines and pipeline quality bank) from the sales price.

## Petroleum Property Tax

An annual tax is levied each year on the full and true value of property taxable under AS 43.56. The valuation procedure has been established for three distinct classes of property: exploration, production and pipeline transportation.

### Exploration Property.

Value based on the estimated price which the property would bring in an open market and under the then prevailing market conditions in a sale between a willing seller and a willing buyer, both conversant with the property and with prevailing general price levels.

The raw data for market value is gathered by the state appraiser by reviewing the details of equipment sales, attending auctions and reviewing trade journals. This data is then applied to the taxable property, taking into account age, capacity, physical and functional obsolescence.

**Production Property.**
Value is determined on the basis of replacement cost new less depreciation, based on the economic life of the proven reserves.

In the case of an offshore oil or gas platform or onshore facility, the number of years of useful life is determined by when the facility reaches its economic limit, not the projected physical life of the property. The point when it is estimated that operating revenue will equal operating expense, plus the age of the facility, determines the total life. The depreciation factor becomes the years of remaining life divided by the total life.

**Pipeline Transportation Property.**
The full and true value of taxable pipeline property is determined with due regard to the economic value of the property based on the estimated life of the proven reserves of gas or unrefined oil into the transportation facility. We rely upon several standard appraisal techniques to value Alaska pipelines. The primary indicator is the income method which estimates value as the present worth of all future income streams that pipeline will earn. Over 95 percent of pipeline transportation property is accounted for by the Trans-Alaska Pipeline from Prudhoe Bay to Valdez.

The table on the next page illustrates the distribution of the petroleum property tax between local communities and the state for FY 2000. The property tax is assessed by the state. The property is also taxable by the communities where the property is located. The local tax is on the state assessed value and is subject to the local property tax limitations established in AS 43.29.080, .090 and .100. The local taxes are creditable against the state tax and are collected directly by the local taxing authority.

**Figure 12. FY 2000 Assessments by Property Type**

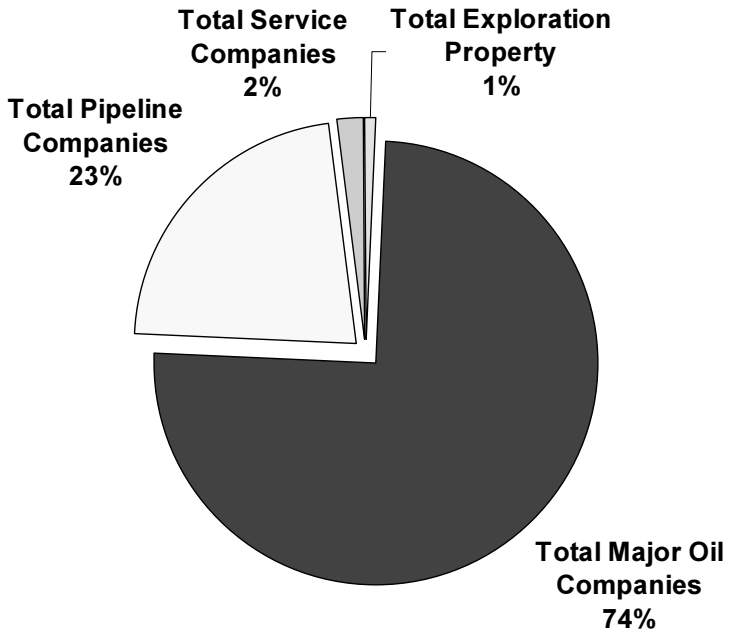


**Table 17. FY 2000, Distribution of the Petroleum Property Tax[1]**
$ Million

| Borough | Gross Tax | Local Tax | State Tax |
|---|---|---|---|
| North Slope | 210.9 | 196.4 | 14.9 |
| Unorganized | 26.4 | 0.0 | 26.4 |
| Valdez | 12.5 | 12.5 | 0.0 |
| Kenai | 6.4 | 4.0 | 2.4 |
| Fairbanks | 5.2 | 4.1 | 1.1 |
| Anchorage | 1.7 | 1.5 | 0.2 |
| Matanuska-Susitna | 0.1 | 0.1 | 0.0 |
| Whittier-Cordova | 0.1 | 0.0 | 0.0 |
| **Total** | **263.2** | **218.6** | **45.0** |

## Petroleum Corporate Income Tax

A petroleum corporation's Alaska corporate income tax revenue is a function of the relative size of the corporation's Alaska-vs.-worldwide activities and total worldwide net earnings. The corporation's Alaska taxable income is derived by apportioning the corporation's worldwide taxable income to Alaska using the average of three factors: the proportion of the corporation's (1) tariffs and sales; (2) oil and gas production; and, (3) oil and gas property in Alaska.

### Industry Reorganization.

Oil corporate income tax revenue is volatile, and consequently very difficult to predict. Compounding this difficulty is the uncertainty created as a result of the reorganization of five of the largest oil companies in Alaska (ARCO, BP, Exxon, Mobil and Phillips). Approximately 95 percent of the total Alaska petroleum corporate income tax revenue is paid by these five oil companies. These corporations have merged with each other or other entities:

- On December 31, 1998, BP merged with Amoco.
- On November 30, 1999, Exxon merged with Mobil.
- On April 13, 2000, the Federal Trade Commission approved the merger of BP Amoco and ARCO and the sale of ARCO Alaska to Phillips.

These reorganizations affect earnings and the size of the factors used to apportion income to Alaska.

**Forecast Methodology.**
We begin our forecast by estimating the statistical relationship between historical collections of the tax and Alaska oil production value and estimated payments. Clearly, this model does not reflect the large structural change we are currently experiencing. However, because forecasting the net effect on factors and earnings of the reorganizations would be pure speculation, we are not adjusting the forecast to reflect these changes.

High oil prices did result in very high estimated payments for the fall quarter. We believe these revenues will continue to remain high through the winter and then begin to decrease in the spring and summer quarters as oil prices begin to fall.

# Restricted Oil Revenue

All the revenues discussed so far are unrestricted with the following exceptions broken out from the Table below.

Currently a minimum of 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the state are deposited into the Permanent Fund. State oil and gas leases issued, after 1980, require a 50 percent contribution to the fund. In addition, 0.5 percent of all royalties and bonuses are deposited in the Public School Fund Trust. As explained earlier, any settlements with or judgments against the oil industry are deposited in the CBRF. In FY 2000, deposits in the CBRF were the highest since FY 1997, and the fifth highest total ever.

**Table 18. Restricted Oil Revenue**
$ Million

| | Actual FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| **Restricted** | | | |
| Royalties to the Permanent Fund | 301.1 | 343.3 | 291.5 |
| Royalties to the Public School Fund | 5.4 | 4.9 | 4.4 |
| **Subtotal** | **306.5** | **348.2** | **295.9** |
| **Settlements to CBRF** | **448.3** | **100.0** | **45.0** |
| **Total** | **754.8** | **448.2** | **340.9** |

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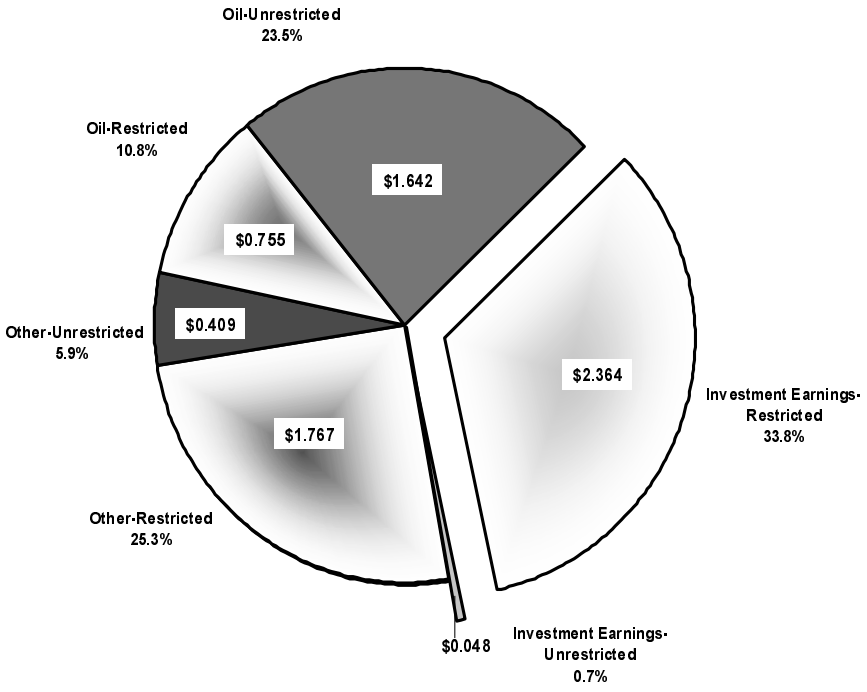
# V. INVESTMENT REVENUE

**Table 19. Total Investment Revenue, Actual FY 2000 and Projected FY 2001-2002**
$ Million

| | Actual FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| Unrestricted | | | |
| **General Fund Investments** | **48.1** | **40.3** | **40.3** |
| Restricted | | | |
| Constitutional Budget Reserve Fund | 114.5 | 161.8 | 170.3 |
| Permanent Fund Dividends | 1,172.0 | 1,192.0 | 1,193.0 |
| Permanent Fund Inflation Proofing | 423.0 | 646.0 | 693.0 |
| Required Deposits to Permanent Fund Principal | 280.0 | 18.0 | 20.0 |
| Permanent Fund Undistributed Net Income (GASB) | 371.0 | (322.0) | 307.0 |
| Other Appropriations [1] | 3.0 | 0.0 | 0.0 |
| **Subtotal** | **2,363.5** | **1,695.8** | **2,383.3** |
| **Total** | **2,411.6** | **1,736.1** | **2,423.6** |

[1] Permanent Fund revenue used for oil and gas revenue-related matters.

**Figure 13. FY 2000 Total Revenue** ($Billion)



# General Discussion

Investment revenue has become an increasingly bigger piece of the state's revenue pie, reaching 36 percent in FY 2000. In reporting investment revenue here, we have followed the convention of segregating the three main sources of investment revenue over which the legislature has the most discretion: the General Fund, Constitutional Budget Reserve Fund and Permanent Fund. Additional sources of investment revenue are reported in the next section under "Other Revenue."

## Forecasting Investment Income

How do we forecast the investment income of the state? Investment return is a product of three variables: (1) The **balance** of the fund; (2) The **asset classes** that the state invests in; and, (3) The **performance** of those asset classes in the capital markets. If we know these three items, we can predict investment income.

Although no one can accurately predict the outcome of future capital markets, the entire investment process is built on a few assumptions about how capital markets will behave. One of those assumptions is that the capital markets will increase in value. Another assumption is that riskier investments will have the potential to increase more in value than safer investments, but will also have a greater potential to lose value.

Starting from these and other assumptions, analysts build models that try to predict how capital markets will behave and how much risk is associated with investing in the various asset classes. Investment professionals then use these models to match the risk and return needs of their clients.

Both the Department of Revenue and the Permanent Fund Corporation employ a consultant, Callan Associates Inc. (http://www.callan.com/), to provide us with capital market projections. We then use these projections to determine the optimal portfolio for investing the assets of the state.

The first item in the capital market projection is the expected return for each asset class. For example, the table on the next page shows that, under the projections provided by Callan, an investment in a large-capitalization stock, such as stocks found in the Standard and Poors 500, has an expected return of 8.9 percent.

The second item is the expected volatility — the risk that that the actual return will vary from the expected return. Risk is measured in terms of standard deviation. Thus, for example, Table 20 shows that an investment in a large cap stock has a standard deviation — or expected risk — of 15 percent. This tells us that two-thirds of the time we can expect the return on an investment in a large-cap stock to be between minus 6.1 percent and plus 23.9 percent. This demonstrates how variable investment returns can be and shows that at some point negative returns are likely, especially for riskier investments.

For Fiscal 2000-2005, these two items — expected return and expected risk — are shown in Table 20. Table 20 also includes the benchmark for those asset classes that have them. The benchmark is an index that includes a wide range of securities within an asset class, and thus establishes a norm for measurement purposes.

**Table 20. Expected Return and Risk**
Percent

| Asset Class | Corresponding Benchmark | Expected Return | Expected Risk |
|---|---|---|---|
| **Equities** | | | |
| Broad Market | Callan Associates, Inc. (CAI) Broad Market | 9.2 | 16.2 |
| Large Cap | S&P 500 | 8.9 | 15.0 |
| Small Cap | CAI Small | 10.4 | 25.0 |
| International | Morgan Stanley Capital Intl EAFE | 9.8 | 21.5 |
| **Fixed Income** | | | |
| Domestic | Lehman Brothers Government Corporate | 6.6 | 6.0 |
| International | Salomon Brothers Non-U.S. Government | 6.5 | 10.0 |
| Intermediate Term | Merrill Lynch 1-5 Government | 5.6 | 4.1 |
| **Other** | | | |
| Real Estate | - | 8.3 | 16.5 |
| Alternative Investments | - | 6.3 | 7.0 |
| Cash Equivalents | - | 5.0 | 0.7 |
| **Economic Variables** | | | |
| Inflation | | 3.25 | 1.8 |

The third item in the capital market projections is the correlation coefficient index. If two asset classes are perfectly correlated, they have a correlation coefficient of 1, and they will always move up or down in value together in lockstep. A correlation coefficient of minus 1, on the other hand, means that the asset classes will always move in opposite directions. A correlation coefficient of 0 means that the asset classes returns are unrelated or random. The ability to combine risky assets that don't move in lockstep provides a diversification benefit so that the overall risk of the portfolio is less than the risk of the individual assets in the portfolio.

How does Callan arrive at its capital market projections? It uses the following four steps:

1. Develop a five-year economic outlook for the United States and other major industrial economies.
2. Examine the historical relationships between major economic and financial variables and five-year asset returns.
3. Examine historical interrelationships of performance characteristics among the individual asset classes.
4. Perform a qualitative review of the conclusions reached in items 1, 2, and 3.

The Department of Revenue and the Permanent Fund Corporation use the capital market projections to construct optimal portfolios — the combination of asset classes that will, in theory, provide the most return for a given level of risk. The Department of Revenue must construct many different portfolios for different funds, because those funds have different risk tolerances and different needs for investment income. Examples of this process of determining a portfolio are outlined below. For complete information on the investment of funds under the Department of Revenue, which includes state employees retirements funds invested by the Alaska State Pension Investment Board, see the department's Investment Policies and Procedures, available on the department's website at: http://www.revenue.state.ak.us/treasury/policies/Manual%20home%20page.htm

For additional information on the Permanent Fund, see http://www.apfc.org/

In estimating the earnings of each fund, the Department of Revenue first uses the best information available to forecast the investable balance of the fund over the forecast horizon. This estimate is multiplied by the estimated mean return for the fund's asset allocation to calculate the estimated earnings of the fund and the range of likely actual fund earnings. Return assumptions are long-term estimates and substantial variability is possible in the short term. The greater the risk of an asset allocation, the greater the year-to-year variability of actual earnings. The higher the expected rate of return, the greater the risk (volatility of return) for any fund's investments. Over the long term, forecasting the investable balance is a source of error. Over the short term, the variability of the capital market returns is a common source of error in the forecast.

# Unrestricted Investment Revenue

The table below depicts the state's unrestricted investment revenue, plus a small amount of interest income from certain loans and federal settlements. Most of this revenue comes from the investment of the state's General Fund, which is described on the pages that follow.

**Table 21. Unrestricted Investment Revenue, Actual FY 2000 and Projected FY 2001-2010**
$ Million

| Fiscal Year | General Fund Investments |
|---|---|
| 2000 | 48.1 |
| 2001 | 40.3 |
| 2002 | 40.3 |
| 2003 | 40.3 |
| 2004 | 40.3 |
| 2005 | 40.3 |
| 2006 | 40.3 |
| 2007 | 40.3 |
| 2008 | 40.3 |
| 2009 | 40.3 |
| 2010 | 40.3 |

# General Fund and Other Non-Segregated Investments

## The Pooled Investment.

For investment purposes, the Departments of Revenue and Administration have commingled assets of the General Fund with assets of other governmental funds, managing them in a pool called the General Fund and Other Non-Segregated Investments (GeFONSI). The GeFONSI typically has a balance of about $1 billion. The General Fund is the largest investor in the GeFONSI with a typical invested balance in the range of $150 million to $250 million.

Whether a GeFONSI participant receives investment earnings depends on applicable governing statutes. Each participant can be classified into one of three categories:

1. Some of the funds whose assets are invested in the GeFONSI are legally entitled to automatically receive the earnings attributable to the investment of those assets.

2. Other funds invested in the GeFONSI are entitled to receive the earnings attributable to the investment of their assets if the legislature chooses to appropriate the earnings to those funds. If the legislature does not appropriate the money to the individual fund, the General Fund receives the earnings.

3. Finally, there are a large number of funds invested in the GeFONSI whose earnings are automatically attributable to the General Fund.

A series of Memoranda of Understanding between the Department of Revenue and the Department of Administration has guided the distribution of GeFONSI investment earnings. For more information, see the department's Investment Policies and Procedures. Table 21 shows only the earnings of the GeFONSI that are paid to the General Fund. Because the earnings paid to the other funds in the GeFONSI are conventionally considered to be restricted in some manner, they are not included here.

## Cash Flow Deficiencies.

Several factors, including declining oil revenues and the debt owed to the Constitutional Budget Reserve Fund by the General Fund, have led to a situation where the General Fund faces a cash deficiency every fiscal year. Accordingly, the state has developed a Cash Deficiency Plan, under which the Department of Revenue Treasury Division will move money from the Constitutional Budget Reserve Fund to the General Fund whenever the General Fund balance is below a minimal amount necessary to meet the state's obligations. If the General Fund balance exceeds $200 million, and is expected to continue to exceed $200 million for 30 consecutive days, Treasury will move money from the General Fund to the Constitutional Budget Reserve. If the legislature should fail to authorize sufficient use of the CBRF, the Cash Deficiency Contingency Plan calls for Treasury, the Department of Administration Finance Division and the governor's Office of Management and Budget to use other funds in the GeFONSI to cover the shortfall or to seek additional CBRF authorization from the legislature.

**Investment Policy.**

Treasury currently invests the GeFONSI assets with the following in mind:

Risk Tolerance. Moderate. Some of the money in the underlying GASB funds has been appropriated and a material loss could affect the state's or an agency's ability to fulfill its obligations.

Investment Objectives. Limited exposure to principal loss. Conservative balance between income and principal safety income within moderate risk tolerance. Minimal inflation protection needed. High liquidity requirement.

Time Horizon. Short to intermediate. Treasury expects some of the money in the pool to be spent in less than one year.

Treasury's investment policy for the GeFONSI is 38 percent in short-term (maturities of 14 months or less) fixed-income investments and 62 percent in intermediate-term (one- to five-year maturities) fixed-income investments. The investment policy has a plus or minus 8 percent band for each investment pool to avoid the expense of continually rebalancing the GeFONSI investments.

Expected Return. The expected return for the GeFONSI using Callan's 2000 capital market assumptions is 5.37 percent.

Probability of a Loss. The probability of a loss over a one-year period is 2 percent.

# Constitutionally Restricted Investment Revenue

The table below depicts the investment income for the Constitutional Budget Reserve Fund and the Permanent Fund.

**Table 22. Constitutionally Restricted Investment Revenue, Actual FY 2000 and Projected FY 2001-2002**
$ Million

| | Actual FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| **Restricted** | | | |
| Constitutional Budget Reserve Fund | 114.5 | 161.8 | 170.3 |
| Permanent Fund Dividends | 1,172.0 | 1,192.0 | 1,193.0 |
| Permanent Fund Inflation Proofing | 423.0 | 646.0 | 693.0 |
| Required Deposits to Permanent Fund Principal | 280.0 | 18.0 | 20.0 |
| Permanent Fund Undistributed Net Income (GASB) | 371.0 | (322.0) | 307.0 |
| Other Appropriations (1) | 3.0 | 0.0 | 0.0 |
| **Total** | **2,363.5** | **1,695.8** | **2,383.3** |

(1) Permanent Fund revenue used for oil and gas revenue-related matters.

# Constitutional Budget Reserve Fund

Voters approved a constitutional amendment in 1990 requiring the state to deposit all settlements from oil and gas tax and royalty disputes into the Constitutional Budget Reserve Fund (CBRF). The money in the CBRF is invested by the Department of Revenue, and the CBRF retains its own investment earnings. Although, in theory, the legislature may appropriate money from the CBRF under certain conditions with a simple majority vote, in practice those conditions do not occur and it takes a three-fourths vote of the members of each chamber to make an appropriation.

The legislature has appropriated money out the CBRF in every year except 1997 to balance the state's budget. The Alaska Constitution requires the General Fund to repay the money appropriated from the CBRF if the General Fund has a surplus at the end of any fiscal year. The General Fund does not pay interest on the money it has "borrowed" from the CBRF. As of June 30, 2000, the General Fund had "borrowed" almost $4 billion from the CBRF.

On June 30, 2000 the CBRF balance was $2.7 billion. If the state maintains an even budget, but continues to draw on the CBRF to balance the budget, the CBRF will run out of money in January 2006.

Treasury's investment policies for the CBRF have changed over the years as the balance and the expected use of the CBRF have changed. A significant change occurred this year when the legislature created a special subaccount in the CBRF in order to "yield higher returns than might be feasible to obtain with other money in the budget reserve fund." The legislature directed that "in establishing or modifying the investment policy for the subaccount in the Constitutional Budget Reserve Fund, the commissioner of Revenue shall assume that those funds will not be needed for at least five years. Income earned on money in the subaccount shall be retained in the subaccount by the department."

In considering its investment policies for CBRF funds outside the five-year subaccount, Treasury recognizes a distinction between the state's current two-year reserve needs and money in excess of that which might be needed within two years. At this time, the current high oil prices and the balance in the CBRF support a somewhat more aggressive policy for the money in the main account of the CBRF than has been the case in recent years.

Treasury currently invests the money in the non-designated portion of the CBRF with the following in mind:

| | |
|---|---|
| Risk Tolerance. | Moderately high. Funds should not be needed for several years. |
| Investment Objective. | Moderately high exposure of principal to loss in return for higher expected longer-term returns. Limited current income requirement. Moderate inflation protection. Limited liquidity need. |
| Time Horizon. | Short to intermediate. |

Effective July 1, 2000, Treasury's investment policy for the non-designated portion of the CBRF is 10 percent in the short-term, fixed-income investment pool (maturities of 14 months or less), 65 percent in the intermediate-term, fixed-income investment pool (one-to-five-year maturities), and 25 percent in the board-market fixed-income investment pool.

## Table 23. Constitutional Budget Reserve Fund
$ Million

The fall 2000 revenue forecast for the Constitutional Budget Reserve Fund is summarized below.

| | Actual FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| **CONSTITUTIONAL BUDGET RESERVE FUND** | | | |
| Beginning Balance CBRF [1] | 2,628.3 | 2,734.2 | 3,113.8 |
| Beginning Non-Designated Subaccount Account Balance | 2,628.3 | 2,734.2 | 2,678.5 |
| Transfer to "5 Year Plus" Subaccount | - | (400.0) | 0.0 |
| Transfer to PCE Account | (100.0) | - | 0.0 |
| Earnings on Non-Designated Subaccount Balance [2] | 114.5 | 127.5 | 133.1 |
| Petroleum Tax, Royalty Settlements [3] | 448.3 | 100.0 | 45.0 |
| Loan to GF (prior year) | (42.1) | 0.0 | 0.0 |
| Loan to GF (current year) [4] | (314.8) | 116.8 | (514.5) |
| **Ending Non-Designated Subaccount Balance** | **2,734.2** | **2,678.5** | **2,342.1** |
| Beginning "5 Year Plus" Subaccount Balance | - | 400.0 | 434.3 |
| Earnings on "5 Year Plus" Subaccount Balance | - | 34.3 | 37.2 |
| Draw on "5 Year Plus" Subaccount | - | 0.0 | 0.0 |
| **Ending "5 Year Plus" Subaccount Balance** | **-** | **434.3** | **471.5** |
| **Total CBRF Balance** | **2,734.2** | **3,112.8** | **2,813.6** |

[1] The FY 2000 activity reflects actual activity for the CBRF. Subsequent activity is estimated.
[2] The projected earnings rate for FY 2001 and 2002 is 5.6 percent for the undesignated subaccount and 8.25 percent for the 5 Year Plus subaccount. These projections are based on Callan's capital market assumptions and Department of Revenue, Treasury Division's asset allocation.
[3] Settlement estimates are provided by the Department of Revenue and Department of Law net of annual Federal Minerals Management Service payments.
[4] The FY 2001 and 2002 CBRF draw projections are provided by the Office of Management and Budget and do not represent final budget numbers. The estimated future loan figures are slightly different than those found in Table 9. Table 9 assumed a flat budget while OMB's estimates in this table assume certain portions of the budget will change with population.

Expected Return. The expected return for the reserve requirement of the CBRF using Callan Associates' 2000 capital market assumptions is 5.82 percent.

Probability of a Loss. The probability of a loss over a one-year period is 7.05 percent.

Based on legislative direction Treasury considers the five-year subaccount of the CBRF separately when establishing or modifying its investment policy. Treasury would invest the five-year subaccount of the CBRF with the following in mind:

Risk Tolerance. High.

Investment Objective. Willing to risk significant short-term volatility and principal loss for the possibility of large gains in the long term.

Time Horizon. Long.

Effective July 3, 2000, Treasury's investment policy for the subaccount of the CBRF 42 percent in the long-term fixed-income investment pool, 41 percent in domestic equities and 17 percent in international equities.

Expected Return. The expected return using Callan Associates' 2000 capital market assumptions is 8.25 percent.

Probability of a Loss. The probability of a loss over a one-year period is 21.74 percent.

For more information on the investment of the CBRF, see the see the department's Investment Policies and Procedures, available on the department's website at: http://www.revenue.state.ak.us/treasury/policies/Manual%20home%20page.htm

## Alaska Permanent Fund

In 1976, voters established the Alaska Permanent Fund by constitutional amendment. The amendment requires that at least 25 percent of the state's mineral lease bonuses, rentals, royalties and federal mineral revenue-sharing payments be deposited into the fund. The amendment also requires "all income from the Permanent Fund must be deposited into the General Fund unless otherwise provided by law." The legislature has, as described later, provided for use of some of the fund's income. The fund's principal, however, is protected by the constitution.

The legislature established the Alaska Permanent Fund Corporation (APFC) to manage and invest the fund's assets. The APFC is a public corporation managed by a board of trustees appointed by the governor.

The fund has grown significantly over the years, and as of September 30, 2000, had a market value of $26.5 billion, of which slightly more than $20 billion represents the fund's principal. The increase in market value has come from four primary sources:

1. Constitutionally required contributions to the principal.
2. Additional legislative appropriations to the principal.
3. Inflation proofing of the principal.
4. Fund earnings deposited into the earnings reserve account within the fund.

As fiduciaries for the fund, the trustees must have an investment objective that addresses the safety of the principal while maximizing total return. The board must also allow for maximum use of disposable income for purposes designated by law. To accomplish this, the board has adopted an investment policy that addresses risk posture, return, diversification and liquidity. Using this policy, the board adopted a strategic asset allocation by applying the basic process described earlier.

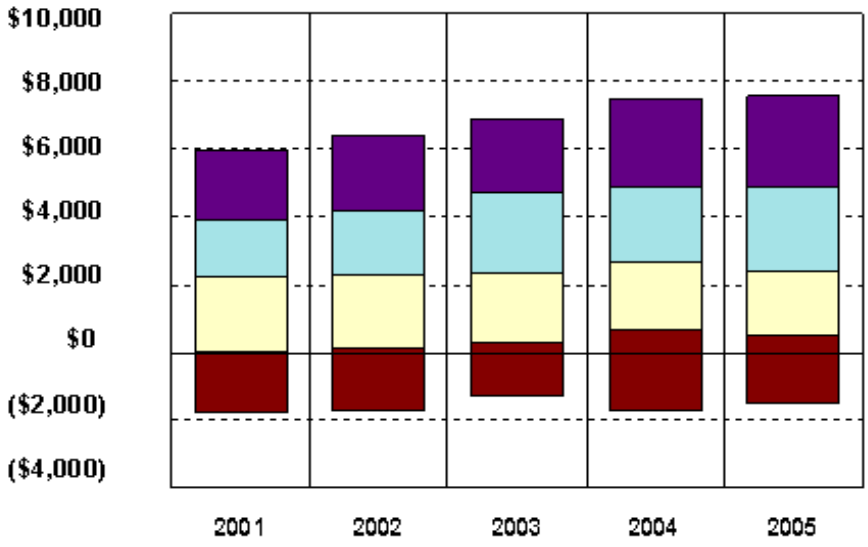
The trustees' current asset allocation is 37 percent in domestic equities, 16 percent in international equities, 35 percent in domestic fixed-income, 2 percent in international fixed-income, and 10 percent in real estate. The investment policy has plus or minus bands for each investment class in the allocation to avoid the expense of continually balancing the fund's investments.

As described above, forecasting investment returns is a careful statistical process but it's not an exact science. Using the statistical tools employed in making the investment asset-allocation decisions described earlier it is possible to forecast the *likely* median return of a portfolio and the likelihood of higher or lower returns away from the median. The figures that follow reflect such an analysis of the current portfolio of the Alaska Permanent Fund as of June 30, 2000.

Considering the capital market assumptions supplied by Callan Associates, on June 30, 2000, we expected the fund's income (determined under principles set by the Government Accounting Standards Board (GASB)) to range around a median of $2.230 billion this fiscal year (Fiscal 2001). There is a 25 percent chance the Permanent Fund GASB net income could exceed $3.944 billion; conversely, there is a 25 percent chance the GASB net income would be lower than $47 million in Fiscal 2001. There is a 10 percent chance the Permanent Fund could earn more than $5.957 billion and a 10 percent chance it could lose more than $1.783 billion.

The likely range of returns for fiscal years 2001 through 2005 are reflected in the figure on the next page.

**Figure 14. Alaska Permanent Fund Range of GASB Income**
$ Million




| Percentile Ranking | $ Million 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| 10% | $5,957 | $6,416 | $6,870 | $7,482 | $7,565 |
| 25% | $3,944 | $4,162 | $4,679 | $4,913 | $4,874 |
| Median | $2,230 | $2,291 | $2,300 | $2,642 | $2,439 |
| 75% | $47 | $156 | $273 | $652 | $542 |
| 90% | ($1,783) | ($1,730) | ($1,263) | ($1,705) | ($1,516) |

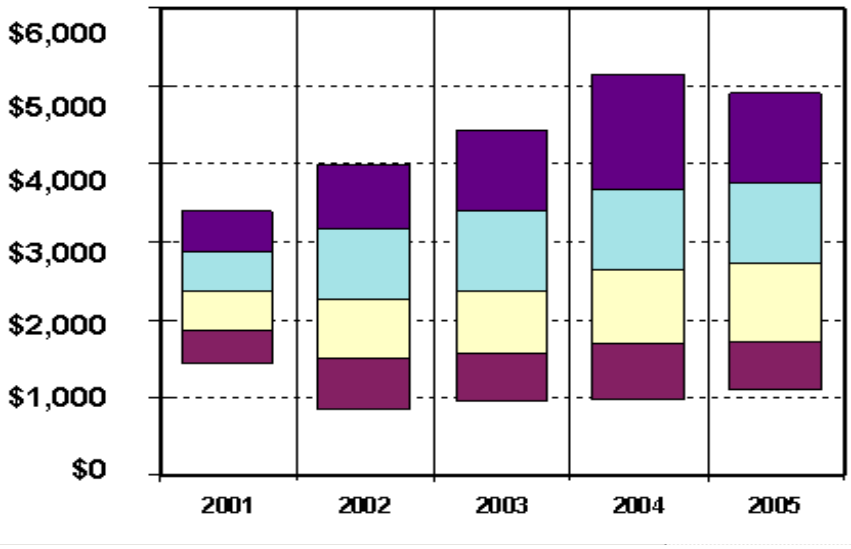
The percentile ranking is the probability of exceeding the corresponding level of GASB Income.

To calculate the fund's annual income for purposes of determining the Permanent Fund dividend, state statutes prescribe an income measure different from the one prescribed by GASB and normally used for public funds. Public funds normally recognize changes in the value of investments as income, or as losses, as they occur at the end of each trading day, regardless if the investment is actually sold and the income or loss taken, or realized. By Alaska law, to calculate the actual income used in determining the amount of the dividend, however, gains or losses on individual stocks and bonds are not recognized until the stock or bond is sold. As of September 30, 2000, the Permanent Fund's portfolio included more than $3 billion in such unrealized gains.

As those gains are realized over time, or as they may turn to losses in some cases, they will cause the fund's *statutory net income* to differ significantly from the GASB net income figures reflected above.

For FY 2001, we expected statutory net income to range around a median of $2.376 billion. There's a 50 percent probability the Permanent Fund's *statutory net income* will range between $1.867 billion and $2.868 billion. There is an 80 percent chance it will range between $1.434 billion and $3.375 billion.

**Figure 15. Alaska Permanent Fund**
**Range of Statutory Net Income**
$ Million




| Percentile Ranking | $ Million 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| 10% | $3,375 | $3,992 | $4,435 | $5,161 | $4,908 |
| 25% | $2,868 | $3,163 | $3,380 | $3,650 | $3,763 |
| Median | $2,376 | $2,266 | $2,356 | $2,632 | $2,713 |
| 75% | $1,867 | $1,496 | $1,566 | $1,698 | $1,707 |
| 90% | $1,434 | $856 | $951 | $961 | $1,093 |

The percentile ranking is the probability of exceeding the corresponding level of Statutory Net Income.

The figure above depicts similar information with respect to the projected *statutory net income* for the Permanent Fund for Fiscal Years 2002–2005 as well.

Table 24 on the next page reflects the projected balances for the Permanent Fund, as of September 30, 2000, using the new fall forecast for dedicated revenue.

As noted, the Alaska Constitution requires the deposit of the income earned by the assets of the Permanent Fund "into the General Fund unless otherwise provided by law." The legislature has, by law "provided otherwise" and all Permanent Fund's income has been dedicated to the earnings reserve account established by AS 37.13.145.

In turn, the income accumulated in the earnings reserve account is statutorily dedicated to the Permanent Fund Dividend program (AS 37.13.140 and AS 37.13.145(b)) and to inflation proofing the principal of the Permanent Fund (AS 37.13.135(c)). Permanent Fund income in excess of the amount needed to satisfy the statutory dedication for annual dividends and inflation proofing — while legally available for other uses — has been left in the Permanent Fund.

## Table 24. Alaska Permanent Fund
$ Million

| | Actual FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| **PERMANENT FUND** [1] | | | |
| **Principal** | | | |
| Beginning Balance | 19,001.0 | 20,015.0 | 21,022.0 |
| Dedicated Petroleum Revenue | 311.0 | 343.0 | 291.0 |
| Inflation-Proofing | 423.0 | 646.0 | 693.0 |
| Deposits to Principal | 280.0 | 18.0 | 20.0 |
| **End-of-Year Balance** | **20,015.0** | **21,022.0** | **22,026.0** |
| | | | |
| **Earnings and Earnings Reserve Account (GASB Income)** | | | |
| Earning Reserve Account (ERA) Beginning Balance | 6,131.0 | 6,502.0 | 6,180.0 |
| GASB Net Income | 2,249.0 | 1,534.0 | 2,213.0 |
| Dividend Payout | (1,172.0) | (1,192.0) | (1,193.0) |
| Inflation-Proofing | (423.0) | (646.0) | (693.0) |
| Deposits to Principal | (280.0) | (18.0) | (20.0) |
| Other Appropriations | (3.0) | 0.0 | 0.0 |
| **ERA End-of-Year Balance (GASB)** | **6,502.0** | **6,180.0** | **6,487.0** |
| | | | |
| **Earnings and Earnings Reserve Account (Statutory Income)** | | | |
| ERA Beginning Balance | 2,590.0 | 2,972.0 | 3,092.0 |
| Statutory Net Income | 2,260.0 | 1,976.0 | 2,081.0 |
| Dividend Payout | (1,172.0) | (1,192.0) | (1,193.0) |
| Inflation-Proofing | (423.0) | (646.0) | (693.0) |
| Deposits to Principal | (280.0) | (18.0) | (20.0) |
| Other Appropriations | (3.0) | 0.0 | 0.0 |
| **ERA End-of-Year Balance (Statutory)** | **2,972.0** | **3,092.0** | **3,267.0** |
| | | | |
| **Market Value** | | | |
| Principal End-of-Year Balance | 20,015.0 | 21,022.0 | 22,026.0 |
| ERA End-of-Year Balance (Statutory Income) | 2,972.0 | 3,092.0 | 3,267.0 |
| End-of-Year Unrealized Earnings | 3,529.0 | 3,089.0 | 3,220.0 |
| Dividends Payable and Other Liabilities | 1,594.0 | 1,192.0 | 1,193.0 |
| **End-of-Year Balance (Market Value)** | **28,110.0** | **28,395.0** | **29,706.0** |
| | | | |
| **Reconciliation** | | | |
| | | | |
| Dividends Payable and Other Liabilities | (1,594.0) | (1,192.0) | (1,193.0) |
| **End-of-Year Balance (Market Value)** | **26,516.0** | **27,203.0** | **28,513.0** |

[1] Source: Permanent Fund Corporation estimates.
[2] Deposits to principal include royalty litigation settlement payments that cannot legally be used to pay Permanent Fund dividends.

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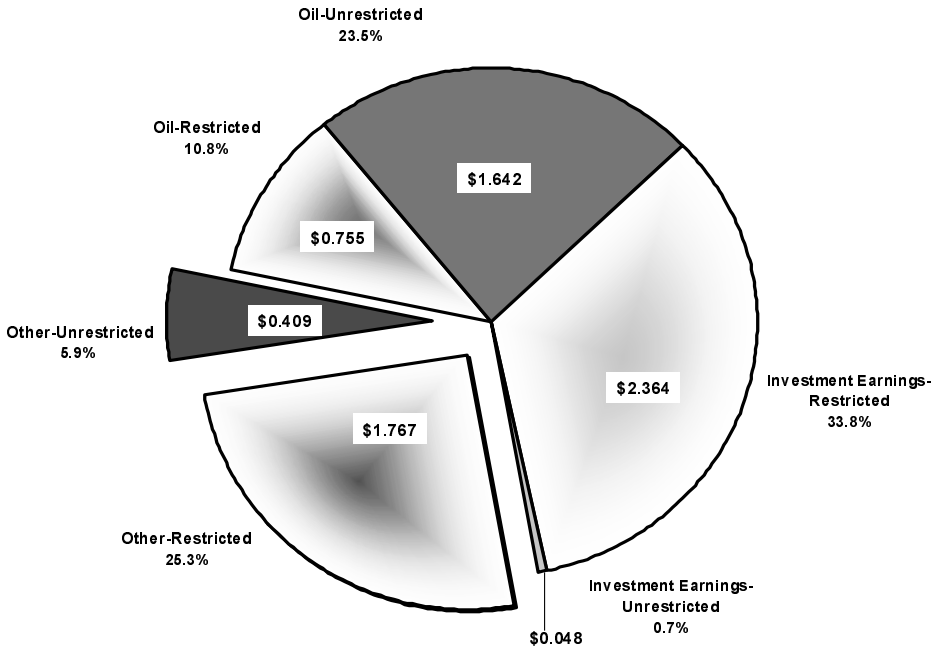
# VI. OTHER REVENUE

**Table 25. Other Revenue, Actual FY 2000 and Projected FY 2001-2002**
$ Million

| | Actual FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| **Other Revenue** | | | |
| **Unrestricted** | | | |
| Alcohol, Tobacco, Fuel and Insurance Tax | 99.8 | 93.5 | 93.4 |
| Corporate Income Tax | 56.3 | 60.0 | 55.0 |
| Fish Tax | 27.6 | 16.3 | 15.2 |
| Other Tax | 8.2 | 7.9 | 7.9 |
| Licenses & Permits | 68.4 | 57.2 | 57.9 |
| Charges for Services | 43.7 | 24.3 | 24.3 |
| Other Miscellaneous | 104.7 | 73.9 | 67.1 |
| **Subtotal** | **408.7** | **333.1** | **320.8** |
| **Restricted** | | | |
| Federal Funds | 1,217.0 | 1,826.2 | 1,899.9 |
| Trusts | 49.6 | 64.2 | 66.6 |
| Dedicated Funds | 58.7 | 59.1 | 59.0 |
| Statutorily Restricted | 441.3 | 616.6 | 600.1 |
| **Subtotal** | **1,766.6** | **2,566.1** | **2,625.6** |
| **Total** | **2,175.3** | **2,899.1** | **2,946.4** |

**Figure 16. FY 2000 Total Revenue** ($ Billion)



# Unrestricted Other Revenue

The non-petroleum revenues are projected based on trend extrapolation, econometric analysis and assessment by state economists and resource and financial managers.

**Table 26. Unrestricted Other Revenue [1]**
**Actual FY 2000 and Projected FY 2001-2010**
$ Million

| Fiscal Year | Alcohol Tobacco Fuel Insurance Tax | General Corporation Income | Fish Tax | Other Tax | Licenses/ Permits | Charges for Services | Other Misc | Total |
|---|---|---|---|---|---|---|---|---|
| Actual 2000 | 99.8 | 55.6 | 27.9 | 8.2 | 68.4 | 43.7 | 105.2 | **408.8** |
| **2001** | 93.5 | 60.0 | 16.3 | 7.9 | 57.2 | 24.3 | 73.9 | **333.1** |
| **2002** | 93.4 | 55.0 | 15.2 | 7.9 | 57.9 | 24.3 | 67.1 | **320.8** |
| **2003** | 93.6 | 53.0 | 15.3 | 8.0 | 58.6 | 24.3 | 67.3 | **320.1** |
| **2004** | 94.0 | 53.0 | 15.3 | 8.1 | 59.3 | 24.3 | 65.5 | **319.4** |
| **2005** | 94.2 | 53.0 | 15.3 | 8.2 | 60.0 | 24.3 | 65.7 | **320.7** |
| **2006** | 94.6 | 53.0 | 15.3 | 8.2 | 60.8 | 24.3 | 65.8 | **322.0** |
| **2007** | 95.0 | 53.0 | 15.3 | 8.3 | 61.6 | 24.3 | 66.1 | **323.6** |
| **2008** | 95.5 | 53.0 | 15.3 | 8.4 | 62.4 | 24.3 | 75.2 | **334.0** |
| **2009** | 96.0 | 53.0 | 15.3 | 8.5 | 63.2 | 24.3 | 75.7 | **335.9** |
| **2010** | 96.4 | 53.0 | 15.3 | 8.6 | 64.0 | 24.3 | 76.2 | **337.7** |

# General Corporate Income Tax

Under Alaska law, only producers of oil and gas or pipeline owners pay the oil and gas corporate income tax. The extended period of high oil prices is also starting to have an effect on corporate tax revenues from oil and gas support service and related business income tax revenues. This growth was reflected in high estimated payments in the fall quarter. We project that this revenue increase will continue through FY 2001 and then gradually fall as oil prices begin to moderate

General corporate income tax revenue is a function of a corporation's Alaska-vs.-U.S. activity and total U.S. net earnings. This revenue does not necessarily grow at the same pace as the Alaska economy. Additionally, the relative size of the economic sectors is different. For example, the finance sector comprises from 14 to 20 percent of the total Alaska general corporate tax liability (FY 1996-1999) but only 4 percent of yearly earnings (see Alaska Department of Labor Employment and Earnings Summary Reports for 1995, 1996, 1997 and 1998).

# Alcohol, Tobacco, Fuel and Insurance Tax

### Alcohol.

Alcohol tax collections are up in FY 2000. Some of this increase may be the result of consumption increases as a result of millennium celebrations. However, after approximately 10 years of flat to declining revenue, there has been a trend toward increased taxable consumption. The trend started in FY 1997 and generally mirrors national trends in alcohol consumption. Consequently, we project that after a small decrease in FY 2001, alcohol revenues will grow slowly at approximately 2 percent a year.

### Tobacco.

On October 1, 1997, the state's cigarette tax rate increased from $0.29 to $1 per pack (for 20 cigarettes), and the tax rate on other tobacco products (e.g., cigars and smokeless) increased from 25 percent to 75 percent of the wholesale price. As result of the tax rate increase, total revenue from tobacco taxes increased by 196 percent in FY 1999. The revenue from the 1997 cigarette tax rate increase goes to the School Fund and is included under restricted revenue. The revenue from other tobacco products goes to the General Fund.

FY 1999 was the first full year with the increased tax rate and no stockpiling effect. In FY 2000, General Fund cigarette revenue remained relatively flat but there was an increase in other tobacco products revenue as well as penalties and interest (see the table below). Other tobacco products revenue will level off after FY 2000 and cigarette tax revenue will decrease by approximately 9 percent in FY 2001 and continue decreasing by approximately 3 percent for the next five years and then decrease at a slower rate afterwards.

**Table 27. Tobacco Tax**
$ Million

| Fund Allocation | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|---|
| Dedicated School Fund | 32.7 | 32.9 | 29.8 | 29.0 |
| General Fund | 15.2 | 16.3 | 14.7 | 14.3 |
| **Total** | **47.9** | **49.2** | **44.5** | **43.3** |

**Motor Fuel.**
In July 1997, the following changes were made to the Alaska motor fuel statute: (1) the gasohol exemption was repealed; (2) an exemption for marine bunker fuel was passed; (3) the foreign flight exemption was expanded. Primarily as a result of these changes, highway motor fuel revenue increased from $19.9 million in FY 1997 to $24 million in FY 1998, and aviation revenue decreased from $8.1 million to $5.3 million. Highway motor fuel revenue remained relatively flat in FY 2000 (decreased by less than 1 percent). We project that highway motor fuel revenue will continue to reflect the level trend in taxable gallons. The increase in aviation tax revenue is primarily the result of a settlement of past tax disputes. Because of the foreign flight exemption, revenue from aviation taxes will stay flat at approximately $5.8 million after FY 2000. Marine tax revenue will also remain relatively flat at approximately $6.3 million after FY 2000.

## Fisheries Business Tax

FY 2000 is the first year since FY 1995 that fisheries business tax revenue increased. After FY 2000, the dramatic decline in shellfish volume due to tanner crab moving into the downward portion of its natural cycle, and the decrease in salmon value due to lower volumes of pink and sockeye, will reduce the FY 2001 fisheries business tax revenue by about 28 percent. Although crab stocks might improve in the next few years, we project that salmon values will show a small decrease as a result of lower sockeye volumes. Consequently, revenue will decline by approximately 6 percent from FY 2001 levels but there is significant downside risk. The downside risk is due to potential and existing closures as a result of the Stellar Sea Lion lawsuit.

**Table 28. Fisheries Business Tax**
$ Million

| | FY 2000 Actual | | FY 2001 Projected | | FY 2002-2003 |
|---|---|---|---|---|---|
| | Value | Tax | Value | Tax | Change from FY 2001 |
| **Halibut** | 107 | 3.2 | 120 | 3.6 | Catch Same/ Unit Value Same |
| **Salmon** | 383 | 14.7 | 280 | 10.6 | Catch Down/ Unit Value Same |
| **Herring** | 20 | 0.8 | 10 | 0.4 | Catch Same/ Unit Value Same |
| **Shellfish** | 284 | 10.9 | 110 | 3.9 | Catch Same/ Unit Value Up |
| **Groundfish** | 224 | 7.1 | 250 | 8.0 | Catch Down/ Unit Value Down |
| **Total** | **1,018** | **36.7** | **770** | **26.5** | |

## Licenses and Permits

This category consists, for the most part, of motor vehicle registration fees. It also includes fees from professional and occupational licenses, hunting and fishing licenses, and alcoholic beverage and other miscellaneous licenses and permits. However, with passage of HB 418 (in the 2000 legislative session), the following license and permit receipts are no longer included under *Unrestricted General Purpose Revenue*:

(1) Receipts of the Department of Community and Economic Development, Division of Insurance (from license fees and fees for services), and from the division that regulates banking, securities and corporations.
(2) Process server and police certification fees collected by the Department of Public Safety.
(3) Receipts of the Alaska Commercial Fisheries Entry Commission under AS 16.05.490, 16.05.530 and 16.43.
(4) Receipts of the Department of Transportation and Public Facilities from the measurement standards and commercial vehicle enforcement program.

Consequently, after FY 2000 these revenue sources are included in the Restricted Revenue category.

## Charges for Services

This category consists of user fees and other charges for services. However, with passage of HB 418 last legislative session, the following charges for services are no longer included under *Unrestricted General Purpose Revenue*:

(1) Alaska Pioneers' Home care and support receipts.
(2) Receipts of the Department of Corrections from the inmate telephone system.
(3) Receipts of the Department of Public Safety from fees for fire and life safety plan checks and from the Alaska automated fingerprint system.
(4) Receipts of the Department of Education and Early Development for teacher certification.
(5) Receipts of the Department of Corrections from the electronic prisoner monitoring program and operation of community residential centers.

Consequently, after FY 2000 these revenue sources are included in the Restricted Revenue category.

## Other Miscellaneous

Other miscellaneous taxes include revenue from the state's mining license and estate tax. Other miscellaneous receipts include revenue from intergovernmental receipts, fines and forfeitures, timber sales, coal rents and royalties and adjustments. See specific breakout in Appendix A.

# Restricted Other Revenue

**Table 29. Restricted Other Revenue, Actual FY 2000, Authorized FY 2001 and Governor Proposed FY 2002**
$ Million

| Restricted | Actual FY 2000 | Authorized FY 2001 | Governor Proposed FY 2002 |
|---|---|---|---|
| Federal Funds | | | |
| Federal Receipts | **1,217.0** | **1,826.2** | **1,899.9** |
| Dedicated Funds | | | |
| Fish and Game Fund | 22.1 | 25.0 | 25.4 |
| School Fund (Cigarette Tax) | 32.9 | 29.8 | 29.0 |
| Second Injury Fund Reserve Account | 2.9 | 2.9 | 3.2 |
| Disabled Fishermans Reserve Account | 0.7 | 1.3 | 1.3 |
| Fishermans Fund Income | 0.1 | 0.1 | 0.1 |
| **Subtotal** | **58.7** | **59.1** | **59.0** |
| Statutorily Restricted | | | |
| International Airport Revenue Fund | 74.1 | 72.7 | 71.3 |
| Alaska Housing Finance[1] | 68.2 | 83.1 | 78.2 |
| University of Alaska | 136.6 | 199.9 | 188.4 |
| Science & Technology Endowment Income | 2.6 | 15.2 | 13.2 |
| Marine Highway System Fund | 76.3 | 53.2 | 51.0 |
| Children's Trust Fund Earnings | 0.3 | 0.4 | 0.5 |
| Alaska Industrial Dev & Export Authority Receipts | 18.0 | 26.9 | 22.2 |
| Alaska Municipal Bond Bank Receipts | 0.5 | 0.5 | 0.5 |
| Intl Trade and Business Endowment Income | 0.0 | 0.5 | 0.5 |
| Postsecondary Education Receipts | 7.2 | 10.0 | 11.7 |
| Statutorily Designated Program Receipts[2] | 32.0 | 53.2 | 61.8 |
| Receipt Supported Services[2] | 0.3 | 47.4 | 50.8 |
| Other | 25.2 | 53.6 | 50.0 |
| **Subtotal** | **441.3** | **616.6** | **600.1** |
| Trusts | | | |
| Exxon Valdez Oil Spill Settlement | 3.4 | 7.3 | 7.3 |
| FICA Administration Fund Account | 0.1 | 0.1 | 0.1 |
| Public Employees Retirement Fund | 23.8 | 25.8 | 29.1 |
| Teachers Retirement System Fund | 11.8 | 12.8 | 14.5 |
| Judicial Retirement System | 0.2 | 0.2 | 0.3 |
| National Guard Retirement System | 0.1 | 0.2 | 0.2 |
| Alyeska Settlement Fund | 0.0 | 0.1 | 0.0 |
| Mental Health Trust Authority Authorized Receipts | 9.4 | 16.6 | 13.9 |
| Mental Health Trust Administration | 0.8 | 0.9 | 1.2 |
| Exxon Valdez Oil Spill Restoration Fund | 0.0 | 0.2 | 0.0 |
| **Subtotal** | **49.6** | **64.2** | **66.6** |
| **Total** | **1,766.6** | **2,566.1** | **2,625.6** |

[1] Portion of the $103 million annual dividend appropriated by the Legislature. Remainder spent by AHFC directly to service corporate GO bonds for state capital projects.

[2] The "Statutorily Designated" category is money restricted to a specific use by the terms of a gift, grant, bequest or contract. The "Receipt Supported Services" category is money from fees levied by resource agencies for designated services.

# Federal Revenue

Authorized federal funds comprise about one-quarter of the state's total restricted revenue in FY 2001. For the most part, the funds are restricted to specific uses and most federally funded programs come with a state match requirement or carry restrictions such as maintenance-of-effort requirements that prohibit reductions in the level of state funding. The largest categories of federal funding are highways ($322 million), airports ($111 million) and Medicaid ($472 million). The state General Fund match required for receiving $1.9 billion in federal funds for state FY 2002 is estimated at $256 million.

As of the release of the fall forecast, the most uncertain areas of federal revenue are Medicaid, education, health and social services and child-development funding. These revenues are especially vulnerable to changes in federal law. The annual transportation bill boosts airport spending in Alaska for federal fiscal year 2001 (October 1, 2000 –September 30, 2001) by $44.3 million over the previous year to $111 million. Highway funding increased from $305 million in federal FY 2000 to $322 million in federal FY 2001. The formula that determines the federal share of the Medicaid program is up for reauthorization, and changes under debate in Congress could require an additional $31 million in state matching funds for Medicaid in federal fiscal year 2001.

In the annual process of developing the governor's proposed budget, each department enters a projection for its expected federal funding. Due to the uncertainty caused by delays in the federal budget cycle, particularly this year with the uncertainty of the national election, these estimates are fairly rough at the time the fall forecast is released. However, the estimates can be expected to stabilize by the time the spring forecast is released.

As a note, the federal funds actually received by the state in FY 2000 are less than what was listed in the forecast a year ago. The estimates in the Department of Revenue fall forecast last year for FY 2000 and this year for FY 2001-2002 are the likely maximum amounts of federal funds the legislature will authorize state agencies to spend. As a result of this difference in definition, the large increase between the actual federal funds received in Fiscal 2000 and the projected revenues in Fiscal 2001 and 2002 is in part a matter of when the funds will actually be received vs. when they are appropriated.

# Dedicated Revenue

Revenues restricted to a special purpose by the Alaska Constitution are considered dedicated funds. Other than the Permanent Fund, which was approved by voters in 1976, all of the other revenues in this category existed in some form before statehood or are dedicated by federal law and therefore are not subject to the constitutional prohibition against dedicated funds. The two largest funds in this group are the Fish and Game Fund and the School Fund.

### Fish and Game Fund.

The Fish and Game Fund is a revolving fund required by federal law to provide a source of revenue for programs that protect, enhance and restore sport fishing and hunting resources in Alaska. Most of the money comes into the fund from the sale of sport fishing, hunting and trapping licenses, and special permits and tags. The fund can also receive settlements in legal actions involving damage to fish and game resources, grants from the federal government and private donors, and other sources. Interest earned on money in the fund is returned to the fund.

### School Fund.

The School Fund exists to provide money for state education programs. The School Fund receives 76 percent of the state's tobacco tax on cigarettes, as well as all cigarette and tobacco products license fees and penalties. The state's remaining tobacco taxes are deposited in the General Fund.

## Statutorily Restricted Revenue

Though not dedicated in the constitution, this state revenue is earmarked in state law in a manner that does not bind the legislature but suffices for accounting purposes to recognize that the revenue is for specific purposes. Following is a description of some of the more significant funds in this group.

### Public Corporation Revenue.

The state has created several public corporations that engage in revenue-generating enterprises on behalf of the state. These corporations typically retain some of their earnings for internal expenses but may also pay a so-called "dividend" to the state. For example, in FY 2000, the state received a dividend from the Alaska Housing Finance Corporation, Alaska Industrial Development and Export Authority, Alaska Municipal Bond Bank Authority and Alaska Student Loan Corporation. By convention, these dividends are accounted for as Restricted Revenue because they are placed in restricted accounts, such as the state's debt service account.

### Alaska Housing Finance Corporation.

The Legislature created the Alaska Housing Finance Corporation in 1971 to provide Alaskans with low-cost mortgage financing. AHFC issues taxable and tax-exempt bonds to generate the funds necessary to provide residential mortgage loans to Alaskans.

In June 1992, the legislature consolidated the state's housing functions by merging AHFC, the Alaska State Housing Authority and the energy and housing programs of the Department of Community and Regional Affairs. Since the merger, AHFC responsibilities include:

1. Purchasing residential mortgage loans from private lending institutions which make the mortgage loans to homebuyers.
2. Administering public housing and rental-assistance programs.
3. Providing multifamily, special-needs and rural-loan programs.
4. Providing home-energy and weatherization programs.

The corporation funds its non-mortgage-related housing programs — such as low-income rental housing and home weatherization programs — through various grant and program agreements with the federal departments of Housing and Urban Development, Energy, and Health and Human Services, as well as capital and operating subsidies from AHFC's own funds.

In addition to its housing-related assignments of making funds available for mortgage loans, rental assistance and other programs, AHFC since Fiscal 1996 — upon direction by the state — has transferred some of its net income to the state each year to assist with other housing programs and non-AHFC capital projects and programs. Faced with a budget deficit that year, the legislature turned to AHFC to pay some of its net income to the state as a "dividend," returning to the state some of the money appropriated in the 1970s and early 1980s to start the housing loan corporation and provide subsidies for its programs.

The intent in past legislation and appropriations has been that AHFC will authorize an annual dividend of $103 million to the state through Fiscal 2008. That dividend includes payments for water and sewer projects administered by the Department of Environmental Conservation, repayment of bond debt on non-AHFC projects such as university construction, and school construction debt payments.

## Alaska Science and Technology Fund.

The Alaska Science and Technology Endowment Fund was established in 1988 to promote and enhance the development and commercialization of technology in the state. The legislation endowed the fund with $100 million and directed the Permanent Fund Corporation to manage the fund's investments.

Income from the science fund is distributed as grants under a competitive proposal process managed by the fund's nine-member board of directors.

## Alaska Children's Trust.

The Alaska Children's Trust Fund is a non-expendable trust fund, the income from which is dedicated to funding community-based programs and projects for the prevention of child abuse and child neglect. The trust provides individual grants of up to $50,000 per year matched by other sources.

The legislature created the trust in 1988 and made the Commissioner of Revenue the fiduciary. Fund-raising and grant-making responsibility was originally vested in the Alaska Children's Trust Board. Those duties were reassigned to other entities in 1990 and 1993 before returning to the board in 1996. The first significant funding of the trust occurred in 1996, when the legislature appropriated $6 million to the trust.

The board annually awards grants and, in an effort to encourage community support for the programs, the board may only finance up to 75 percent of the program costs in years one and two, 50 percent in years three and four, and 25 percent thereafter.

## Alaska Industrial Development and Export Authority.

Since the legislature established the Alaska Industrial Development and Export Authority (AIDEA) in 1967, its mission has not changed — to diversify the economy and provide jobs for Alaskans. AIDEA accomplishes this by offering various financing options to industrial, manufacturing, export and business enterprises within the state. AIDEA also has the authority to own and operate facilities that advance this goal.
The legislature in 1996 passed a measure calling on AIDEA to pay a yearly dividend to the state to help address the budget deficit. AIDEA earns income on its investments, business loans and leases. Under that law, the dividend ranges from 25 percent to 50 percent of net income for the fiscal year two years prior to payment of the dividend. AIDEA's board approves the amount of the annual dividend.

The dividend is based on several factors, including projected income in future years, project and loan cash-flow projections, its effect on bond covenants, unanticipated needs and rating agency concerns. AIDEA has paid $73 million in dividends to the state in the four years since the payments begain in Fiscal 1997.

The authority's net income for Fiscal 2000 was $35.6 million before the dividend payment to the state.

## University of Alaska.

Established in territorial days, the University of Alaska is organized into four branches: statewide administration and three main campuses in Fairbanks, Anchorage and Juneau. Each main campus in turn administers satellite campuses in rural areas.

The University of Alaska is overseen by a Board of Regents appointed by the governor and subject to confirmation by the legislature. While other semi-autonomous state agencies are created in statute, the University and its board are uniquely embodied in the Alaska constitution.

In the current fiscal year, 55 percent of university revenue originates from federal receipts and statutorily restricted sources such as tuition and fees.

## Marine Highway Fund.

The Marine Highway Fund was established to pay for the operations of the state's ferry system. Money that flows into the fund include ticket receipts, other fees and legislative appropriations. In recent years, there have been no state General Funds directed into the Marine Highway Fund. With receipts paying for slightly more than half of annual operating expense, the fund balance is shrinking.

# Trusts

Trusts are funds held by the state in trust for specific beneficiaries. Examples include public employees and teachers retirement funds and the Alaska Mental Health Trust Fund.

## Alaska Mental Health Trust Fund.

In 1978, the Alaska Legislature designated lands — set aside at statehood to support mental health programs — as general grant land eligible for sale, transfer or lease to municipalities, businesses or the public. Courts overturned that legislation in 1985, ruling that the trust be reconstituted to match as nearly as possible the original one million acres. Over the years, the Legislature passed several bills to comply with the court ruling. By 1997, the trust was reconstituted, including a cash endowment of $200 million.

Today, the Alaska Mental Health Trust Authority, overseen by a seven-member board of trustees, controls the trust and its funding of mental health programs. As a matter of policy, the board has chosen to pay out annually as income 3 percent of the year-end market value of the corpus of the fund. The Alaska Permanent Fund Corporation manages most of the fund's financial assets.

As with other trust funds, money becomes revenue to the state at the time it is appropriated to pay for program costs such as delivering mental health-related services and managing the trust's financial and land assets. In FY 1999 revenues from the trust were $7,458,300. FY 2000 revenues are projected at $10,212,800.

The funds identified in Table 22 as Mental Health Trust Administration are transferred to the Department of Revenue, which has administrative responsibility for the Alaska Mental Health Trust.

## Retirement Funds.

In addition to paying benefits to thousands of retirees, funds derived from contributions to and the investment returns of four retirement systems administered by the state are used to pay for: (1) the budget of the Alaska State Pension Investment Board; (2) the budget of the Employees Retirement Board; (3) the budget of the Teachers Retirement Board; (4) a significant portion of the budget of the Treasury Division of the Department of Revenue; (5) the money manager, custody, consulting and audit fees pertaining the management of the assets of those retirement systems; and (6) a significant portion of the budget of the Division of Retirement and Benefits in the Department of Administration.

The four systems are:

1. Public Employees Retirement Trust Fund.
2. Teachers Retirement Trust Fund.
3. Judicial Retirement Trust Fund.
4. National Guard and Naval Militia Retirement Trust Fund.

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# APPENDICES

# A. AKSAS Adjustments to *GF Unrestricted Revenue* to Derive *Unrestricted General Purpose Revenue*

| | *Unrestricted General Fund Revenue per AKSAS* | | | Adjustments to AKSAS Structure | | | *Unrestricted General Purpose Revenue* | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2000 | 2001 | 2002 | 2000 | 2001 | 2002 | 2000 | 2001 | 2002 |
| **TAXES** | | | | | | | | | |
| Property Tax [1] | 45.0 | 44.4 | 42.2 | 0.0 | 0.0 | 0.0 | 45.0 | 44.4 | 42.2 |
| Alcohol, Tobacco, Fuel and Insurance Tax | | | | | | | | | |
| Alcoholic Beverage | 12.7 | 12.5 | 12.8 | 0.0 | 0.0 | 0.0 | 12.7 | 12.5 | 12.8 |
| Tobacco Products | 16.3 | 14.7 | 14.3 | 0.0 | 0.0 | 0.0 | 16.3 | 14.7 | 14.3 |
| Insurance Premium | 28.7 | 28.7 | 28.7 | 0.0 | 0.0 | 0.0 | 28.7 | 28.7 | 28.7 |
| Electric and Telephone Cooperative [2] | 3.2 | 3.2 | 3.2 | (3.0) | (3.0) | (3.0) | 0.2 | 0.2 | 0.2 |
| Motor Fuel Tax-Aviation [3] | 10.5 | 5.8 | 5.8 | (0.2) | (0.2) | (0.2) | 10.3 | 5.6 | 5.6 |
| Motor Fuel Tax-Highway | 25.5 | 25.5 | 25.5 | 0.0 | 0.0 | 0.0 | 25.5 | 25.5 | 25.5 |
| Motor Fuel Tax-Marine | 6.1 | 6.3 | 6.3 | 0.0 | 0.0 | 0.0 | 6.1 | 6.3 | 6.3 |
| **Subtotal** | **103.0** | **96.7** | **96.6** | **(3.2)** | **(3.2)** | **(3.2)** | **99.8** | **93.5** | **93.4** |
| Income Tax | | | | | | | | | |
| Corporation General | 56.3 | 60.0 | 55.0 | 0.0 | 0.0 | 0.0 | 56.3 | 60.0 | 55.0 |
| Corporation Petroleum | 162.7 | 250.0 | 200.0 | 0.0 | 0.0 | 0.0 | 162.7 | 250.0 | 200.0 |
| **Subtotal** | **219.0** | **310.0** | **255.0** | **0.0** | **0.0** | **0.0** | **219.0** | **310.0** | **255.0** |
| Severance Tax | | | | | | | | | |
| Oil and Gas Production | 693.2 | 801.6 | 568.9 | 0.0 | 0.0 | 0.0 | 693.2 | 801.6 | 568.9 |
| Oil and Gas Conservation | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Oil and Gas Haz Release | 9.5 | 9.3 | 9.8 | 0.0 | 0.0 | 0.0 | 9.5 | 9.3 | 9.8 |
| **Subtotal** | **702.7** | **810.9** | **578.7** | **0.0** | **0.0** | **0.0** | **702.7** | **810.9** | **578.7** |
| Other Resource Tax (Fish) | | | | | | | | | |
| Salmon and Seafood Marketing [4] | 7.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 7.2 | 0.0 | 0.0 |
| Salmon Enhancement [5] | 5.1 | 4.0 | 4.0 | (5.1) | (4.0) | (4.0) | 0.0 | 0.0 | 0.0 |
| Dive Fishery Management Assessment [6] | 0.2 | 0.0 | 0.0 | (0.2) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Fisheries Business [7] | 36.7 | 26.5 | 25.0 | (18.5) | (13.3) | (12.5) | 18.2 | 13.2 | 12.5 |
| Fishery Resource Landing [8] | 5.3 | 6.3 | 5.5 | (3.1) | (3.2) | (2.8) | 2.2 | 3.1 | 2.7 |
| Mining (AKSAS Only) | 3.4 | 3.0 | 3.0 | (3.4) | (3.0) | (3.0) | 0.0 | 0.0 | 0.0 |
| **Subtotal** | **57.9** | **39.8** | **37.5** | **(30.3)** | **(23.5)** | **(22.3 )** | **27.6** | **16.3** | **15.2** |
| Other Tax | | | | | | | | | |
| Mining (non- AKSAS) | 0.0 | 0.0 | 0.0 | 3.4 | 3.0 | 3.0 | 3.4 | 3.0 | 3.0 |
| Estate | 2.5 | 2.6 | 2.6 | 0.0 | 0.0 | 0.0 | 2.5 | 2.6 | 2.6 |
| Charitable Gaming | 2.3 | 2.3 | 2.3 | 0.0 | 0.0 | 0.0 | 2.3 | 2.3 | 2.3 |
| **Subtotal** | **4.8** | **4.9** | **4.9** | **3.4** | **3.0** | **3.0** | **8.2** | **7.9** | **7.9** |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **LICENSES AND PERMITS** | | | | | | | | | |
| Motor Vehicle | 34.1 | 34.8 | 35.5 | 0.0 | 0.0 | 0.0 | 34.1 | 34.8 | 35.5 |
| Other [9] | 35.1 | 23.2 | 23.2 | (0.8) | (0.8) | (0.8) | 34.3 | 22.4 | 22.4 |
| **Subtotal** | **69.2** | **58.0** | **58.7** | **(0.8)** | **(0.8)** | **(0.8)** | **68.4** | **57.2** | **57.9** |
| **INTERGOVERNMENTAL RECEIPTS** | 1.0 | 1.0 | 1.0 | (1.0) | (1.0) | (1.0) | 0.0 | 0.0 | 0.0 |
| **CHARGES FOR SERVICES** | | | | | | | | | |
| Marine Highways [10] | 38.3 | 39.0 | 41.0 | (38.3) | (39.0) | (41.0) | 0.0 | 0.0 | 0.0 |
| Other [11] | 43.7 | 24.3 | 24.3 | 0.0 | 0.0 | 0.0 | 43.7 | 24.3 | 24.3 |
| **Subtotal** | **82.0** | **63.3** | **65.3** | **(38.3)** | **(39.0)** | **(41.0)** | **43.7** | **24.3** | **24.3** |
| **FINES AND FORFEITURES** | | | | | | | | | |
| Tobacco Settlements [12] | 27.9 | 20.9 | 15.1 | (27.9) | (20.9) | (15.1) | 0.0 | 0.0 | 0.0 |
| Other | 18.3 | 15.0 | 15.0 | (18.3) | (15.0) | (15.0) | 0.0 | 0.0 | 0.0 |
| **Subtotal** | **46.2** | **35.9** | **30.1** | **(46.2)** | **(35.9)** | **(30.1)** | **0.0** | **0.0** | **0.0** |
| **RENTS AND RESOURCES** | | | | | | | | | |
| Mineral Bonuses and Rents [13][14] | 4.1 | 2.2 | 4.0 | 0.0 | 0.0 | 0.0 | 4.1 | 2.2 | 4.0 |
| Net Oil and Gas Royalties [13] | 727.9 | 901.3 | 699.5 | 0.0 | 0.0 | 0.0 | 727.9 | 901.3 | 699.5 |
| Timber Sales (AKSAS) | 0.3 | 0.3 | 0.3 | (0.3) | (0.3) | (0.3) | 0.0 | 0.0 | 0.0 |
| Net Coal Rent and Royalties [13] (AKSAS) | 1.5 | 1.0 | 1.0 | (1.5) | (1.0) | (1.0) | 0.0 | 0.0 | 0.0 |
| Other Resource Revenue (AKSAS) | 7.9 | 8.2 | 8.0 | (7.9) | (8.2) | (8.0) | 0.0 | 0.0 | 0.0 |
| **Subtotal** | **741.6** | **914.8** | **712.8** | **(9.7)** | **(9.5)** | **(9.3)** | **731.9** | **905.3** | **703.5** |
| **INVESTMENT EARNINGS** [15] | 48.1 | 40.3 | 40.3 | 0.0 | 0.0 | 0.0 | 48.1 | 40.3 | 40.3 |
| **OTHER MISCELLANEOUS** [16] | | | | | | | | | |
| Intergovernmental Receipts (non- AKSAS) | 0.0 | 0.0 | 0.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Fines & Forfeitures (non- AKSAS) | 0.0 | 0.0 | 0.0 | 46.2 | 35.9 | 30.1 | 46.2 | 35.9 | 30.1 |
| Timber Sales (non-AKSAS) | 0.0 | 0.0 | 0.0 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Net Coal Rent and Royalties [13] (non-AKSAS) | | 0.0 | 0.0 | 1.5 | 1.0 | 1.0 | 1.5 | 1.0 | 1.0 |
| Other Timber Revenue (non-AKSAS) | 0.0 | 0.0 | 0.0 | 7.9 | 8.2 | 8.0 | 7.9 | 8.2 | 8.0 |
| Unclaimed Property | 0.0 | 0.0 | 0.0 | 3.0 | 3.0 | 2.5 | 3.0 | 3.0 | 2.5 |
| Deposit Excess Loan Funds | 0.0 | 0.0 | 0.0 | 0.3 | 0.3 | 0.2 | 0.3 | 0.3 | 0.2 |
| AHFC Dividend | 0.0 | 0.0 | 0.0 | 17.4 | 0.0 | 0.0 | 17.4 | 0.0 | 0.0 |
| Other Miscellaneous [17] | 27.1 | 24.2 | 24.0 | 0.0 | 0.0 | 0.0 | 27.1 | 24.2 | 24.0 |
| **Subtotal** | **27.1** | **24.2** | **24.0** | **77.6** | **49.7** | **43.1** | **104.7** | **73.9** | **67.1** |
| **TOTAL *GENERAL FUND UNRESTRICTED REVENUE*** [18] | **2,147.6** | **2,444.2** | **1,947.1** | | | | | | |
| **Adjustments** | | | | **(48.5)** | **(60.2)** | **(61.6)** | | | |
| ***UNRESTRICTED GENERAL PURPOSE REVENUE*** | | | | | | | **2,099.1** | **2,384.0** | **1,885.5** |

# B. Appendix A Footnotes

(1) Amounts represent the state's share of the total oil and gas property taxes collected. Estimated total property taxes and the municipalities' share are as follows ($ Million): FY 2000, $266 and $220; FY 2001, $257 and $213; FY 2002, $244 and $201; and FY 2003, $234 and $194. The municipal portion of this tax is not generally booked into AKSAS.

(2) One hundred percent of this tax is subject to sharing with qualified municipalities (AS 10.25.570). Cooperative taxes sourced from outside of municipalities are retained by the state.

(3) FY 2000 revenue includes past year tax adjustments as well as penalties and interest from a settlement with taxpayers. Sixty percent of taxes attributable to aviation fuel sales at municipally owned or operated airports are subject to sharing with qualified municipalities (AS 43.40.010)

(4) Provides annual funding for the Alaska Seafood Marketing Institute (AS 16.51.120 and AS 43.76.120). Starting in FY 2001, with passage of HB 418, all seafood and salmon marketing revenue projections are classified as receipt supported services and are included under restricted revenues. The salmon marketing tax sunsets on June 30, 2003.

(5) Provides annual funding for qualified regional aquaculture associations (AS 43.76.025).

(6) Starting in FY 2000, this assessment (subject to legislative appropriation) will provide annual funding to a qualified regional dive fishery association (AS 43.76.150). With passage of HB 418 in FY 2001, Dive Fishery revenue projections are included under restricted revenue.

(7) Fifty percent is subject to sharing with qualified municipalities (AS 43.75.130).

(8) Fifty percent is subject to sharing with qualified municipalities (AS 43.77.060).

(9) Includes amounts from professional and occupational, hunting and fishing, alcoholic beverage and other miscellaneous licenses and permits. Amounts from liquor licenses (AS 04.11.610) are shared to qualified municipalities. Starting in FY 2001, program receipts subject to the provisions of HB 418 are included under restricted revenues.

(10) The gross revenue of the state ferry system is deposited in the Alaska Marine Highway Fund (AS 19.65.06) and may then be appropriated for system operating and capital expenditures.

(11) Includes miscellaneous receipts for services, park fees and land-disposal fees. Health insurance premiums, statutorily designated program receipts, Regulatory Commission of Alaska, Test Fisheries program receipts are included under restricted revenues. Starting in FY 2001, program receipts subject to the provisions of HB 418 are also included under restricted revenues. The Comprehensive Annual Financial Report includes $40.7 million in statutorily designated, regulatory commission, oil and gas commission, and test fisheries program receipts that are include here in Table 29 under restricted use.

(12) All payments are preliminary estimates. Inflation and volume adjustments have been estimated using the securitization proposals for Alaska. Actual receipts may vary due to terms of the agreement. For FY 2001-2005, these estimates are from $2 million to $4 million lower than the base payments. Additionally, starting in FY 2002, the Department of Revenue as authorized by HB 281 has sold 40 percent of the tobacco settlement receipts to the Northern Tobacco Securitization Corporation (a subsidiary of the Alaska Housing Finance Corporation).

(13) Net of Permanent Fund, Public School Fund contributions and statutorily designated program receipts. The Comprehensive Annual Financial Report includes $0.7 million in designated program and $301.1 million in Permanent Fund receipts that are included here in Table 18 and Table 29 under restricted revenue.

(14) Future oil and gas lease sales include a North Slope Foothills areawide sale and a Beaufort Sea areawide sale in October 2001. A Cook Inlet areawide sale is scheduled for May 2001. Fifty percent of the bonuses are deposited into the Permanent Fund.

(15) Earnings include investment income from the General Fund and funds within the General Fund group. Additionally, includes interest income from state loans and royalty and severance taxes. The Comprehensive Annual Financial Report includes $1 million in reclassifications that are not included here.

(16) Includes intergovernmental receipts, fines and forfeitures, timber sales, coal rents and royalties and other resource revenue. Statutorily designated, Regulatory Commission of Alaska and Test Fisheries Program receipts are included under restricted revenue. Starting in FY 2001, program receipts subject to the provisions of HB 418 are included under restricted revenues.

(17) The Comprehensive Annual Financial Report includes $2.4 million in statutorily designated and restricted program receipts and $18.5 million from the TAPS liability fund that are included here in Table 29 under restricted revenue.

(18) This includes all unadjusted revenue that is collected by the state and is not restricted in its use. Federal and other grants are restricted revenue and are excluded.

# C. General Fund Unrestricted Revenue Sensitivity Matrices

## FY 2001

Million Barrels per Day

| $ per Barrel | 0.90 | 1.00 | 1.10 |
|---|---|---|---|
| **18.00** | 1,590 | 1,640 | 1,680 |
| **19.00** | 1,650 | 1,700 | 1,760 |
| **20.00** | 1,700 | 1,770 | 1,830 |
| **21.00** | 1,760 | 1,830 | 1,910 |
| **22.00** | 1,820 | 1,900 | 1,980 |
| **23.00** | 1,870 | 1,970 | 2,060 |
| **24.00** | 1,930 | 2,030 | 2,140 |
| **25.00** | 1,990 | 2,100 | 2,210 |
| **26.00** | 2,040 | 2,160 | 2,290 |
| **27.00** | 2,100 | 2,230 | 2,360 |
| **28.00** | 2,150 | 2,300 | 2,440 |
| **29.00** | 2,210 | 2,360 | 2,520 |

## FY 2002

Million Barrels per Day

| $ per Barrel | 0.90 | 1.00 | 1.10 |
|---|---|---|---|
| **18.00** | 1,440 | 1,520 | 1,600 |
| **19.00** | 1,490 | 1,580 | 1,660 |
| **20.00** | 1,550 | 1,640 | 1,730 |
| **21.00** | 1,600 | 1,700 | 1,790 |
| **22.00** | 1,660 | 1,760 | 1,860 |
| **23.00** | 1,710 | 1,820 | 1,920 |
| **24.00** | 1,760 | 1,880 | 1,990 |
| **25.00** | 1,820 | 1,940 | 2,060 |
| **26.00** | 1,870 | 2,000 | 2,120 |
| **27.00** | 1,930 | 2,060 | 2,190 |
| **28.00** | 1,980 | 2,120 | 2,250 |
| **29.00** | 2,030 | 2,180 | 2,320 |

## FY 2003

Million Barrels per Day

| $ per Barrel | 0.90 | 1.00 | 1.10 |
|---|---|---|---|
| **18.00** | 1,380 | 1,450 | 1,530 |
| **19.00** | 1,430 | 1,510 | 1,590 |
| **20.00** | 1,480 | 1,570 | 1,650 |
| **21.00** | 1,530 | 1,620 | 1,720 |
| **22.00** | 1,580 | 1,680 | 1,780 |
| **23.00** | 1,640 | 1,740 | 1,840 |
| **24.00** | 1,690 | 1,800 | 1,910 |
| **25.00** | 1,740 | 1,850 | 1,970 |
| **26.00** | 1,790 | 1,910 | 2,030 |
| **27.00** | 1,840 | 1,970 | 2,100 |
| **28.00** | 1,890 | 2,030 | 2,160 |
| **29.00** | 1,950 | 2,080 | 2,220 |

# D. Petroleum Severance Tax and Royalty Revenue Forecast

| | FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Alaska North Slope** | | | | | | | | | | |
| Oil Royalty - NET | 860.8 | 641.3 | 593.2 | 544.8 | 510.2 | 465.6 | 449.3 | 430.6 | 410.1 | 385.7 |
| Oil Severance Tax | 795.5 | 552.6 | 455.7 | 383.6 | 334.3 | 294.5 | 259.8 | 221.0 | 489.8 | 166.6 |
| Hazardous Release Fund | 9.1 | 9.6 | 9.7 | 9.7 | 9.9 | 9.7 | 9.5 | 9.2 | 8.9 | 8.5 |
| Gas Royalty | 0.8 | 1.0 | 0.9 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |
| Gas Severance Tax | 2.1 | 2.1 | 1.8 | 1.6 | 1.5 | 1.4 | 1.3 | 1.3 | 1.2 | 1.2 |
| **Subtotal** | **1,660.4** | **1,226.6** | **1,061.3** | **940.5** | **856.6** | **772.0** | **720.7** | **662.9** | **610.8** | **562.7** |
| **Cook Inlet** | | | | | | | | | | |
| Oil Royalty - NET | 22.3 | 15.1 | 12.3 | 10.7 | 9.5 | 8.4 | 7.7 | 7.1 | 6.6 | 6.1 |
| Oil Severance Tax | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Hazardous Release Fund | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Gas Royalty | 19.1 | 19.0 | 19.8 | 20.6 | 21.5 | 22.4 | 23.4 | 24.4 | 25.5 | 26.6 |
| Gas Severance Tax | 11.7 | 14.2 | 14.8 | 15.4 | 16.0 | 16.7 | 17.4 | 18.1 | 18.8 | 19.6 |
| **Subtotal** | **53.3** | **48.5** | **47.1** | **46.9** | **47.1** | **47.6** | **48.6** | **49.8** | **51.0** | **52.5** |
| **Total Prod Revenue** | **1,713.7** | **1,275.1** | **1,108.4** | **987.5** | **903.8** | **819.7** | **769.4** | **712.6** | **661.8** | **615.2** |
| **Bonuses** | **2.2** | **7.1** | **4.0** | **4.0** | **4.0** | **4.0** | **4.0** | **4.0** | **4.0** | **4.0** |
| **Total Production Tax, Royalties & Bonues** | **1,715.9** | **1,282.2** | **1,112.4** | **991.5** | **907.8** | **823.7** | **773.4** | **716.6** | **665.8** | **619.2** |

(1) See Table 12.

# E. Alternative Oil Price Scenarios

| Fiscal Year | Reference Case $ per Barrel | Reference Case General Purpose Revenue | $10 per Barrel General Purpose Revenue | $30 per Barrel General Purpose Revenue |
|---|---|---|---|---|
| **2002** | 24.28 | 1,885.5 | 1,027.7 | 2,318.0 |
| **2003** | 22.06 | 1,683.2 | 992.7 | 2,254.8 |
| **2004** | 21.06 | 1,554.8 | 965.0 | 2,162.2 |
| **2005** | 20.38 | 1,465.5 | 948.0 | 2,090.5 |
| **2006** | 17.25 | 1,350.9 | 931.0 | 2,018.3 |
| **2007** | 17.25 | 1,320.4 | 901.3 | 1,924.3 |
| **2008** | 17.25 | 1,262.4 | 875.5 | 1,830.3 |
| **2009** | 17.25 | 1,201.8 | 843.7 | 1,736.5 |
| **2010** | 17.25 | 1,145.3 | 814.4 | 1,649.5 |

# F. New Discoveries of Oil Production Scenarios

**Million Barrels per Day**

| Fiscal Year | Sour dough | Central Satellites | Foothills | NPRA | Point Thompson | Total New Discoveries |
|---|---|---|---|---|---|---|
| **2002** | 0 | 0 | 0 | 0 | 0 | **0** |
| **2003** | 0 | 0.0228 | 0 | 0 | 0 | **0.0228** |
| **2004** | 0 | 0.0342 | 0 | 0 | 0 | **0.0342** |
| **2005** | 0 | 0.0427 | 0 | 0 | 0.0034 | **0.0461** |
| **2006** | 0 | 0.0427 | 0 | 0 | 0.0102 | **0.0529** |
| **2007** | 0 | 0.0427 | 0 | 0 | 0.0144 | **0.0572** |
| **2008** | 0.0034 | 0.0427 | 0.0646 | 0 | 0.0144 | **0.1252** |
| **2009** | 0.0068 | 0.0427 | 0.1292 | 0.0072 | 0.0136 | **0.1995** |
| **2010** | 0.0085 | 0.0389 | 0.1579 | 0.0113 | 0.0136 | **0.2302** |

# G. Historical and Projected Crude Oil Prices

| FY | West Texas Intermediate | | ANS Wellhead | | ANS West Coast | |
|---|---|---|---|---|---|---|
| | Nominal | Real 2000 | Nominal | Real 2000 | Nominal | Real 2000 |
| **1982** | 32.98 | 60.50 | 21.12 | 38.75 | | |
| **1983** | 35.52 | 60.86 | 18.96 | 32.49 | | |
| **1984** | 30.59 | 51.10 | 17.54 | 29.29 | | |
| **1985** | 28.15 | 45.12 | 17.37 | 27.84 | | |
| **1986** | 23.11 | 35.70 | 13.36 | 20.63 | | |
| **1987** | 16.14 | 24.50 | 6.92 | 10.51 | | |
| **1988** | 18.53 | 27.11 | 10.53 | 15.41 | 16.12 | 23.58 |
| **1989** | 16.93 | 23.85 | 9.36 | 13.18 | 14.61 | 20.58 |
| **1990** | 20.06 | 26.87 | 11.90 | 15.93 | 17.22 | 23.06 |
| **1991** | 24.95 | 31.92 | 15.38 | 19.68 | 21.57 | 27.60 |
| **1992** | 20.69 | 25.29 | 11.21 | 13.70 | 16.64 | 20.34 |
| **1993** | 20.69 | 24.53 | 12.81 | 15.19 | 17.83 | 21.14 |
| **1994** | 16.69 | 19.21 | 9.57 | 11.01 | 14.05 | 16.17 |
| **1995** | 18.54 | 20.82 | 11.51 | 12.93 | 16.77 | 18.83 |
| **1996** | 19.20 | 20.92 | 12.60 | 13.73 | 17.74 | 19.33 |
| **1997** | 22.54 | 23.91 | 16.40 | 17.39 | 20.90 | 22.17 |
| **1998** | 18.03 | 18.70 | 11.91 | 12.35 | 15.86 | 16.44 |
| **1999** | 14.09 | 14.37 | 8.47 | 8.64 | 12.73 | 12.98 |
| **2000** | **24.82** | **24.82** | **18.82** | **18.82** | **23.27** | **23.27** |
| **2001** | 31.93 | 30.92 | 25.25 | 24.45 | 30.17 | 29.22 |
| **2002** | 26.01 | 24.40 | 19.26 | 18.06 | 24.28 | 22.77 |
| **2003** | 23.79 | 21.61 | 17.16 | 15.59 | 22.06 | 20.04 |
| **2004** | 22.79 | 20.05 | 16.07 | 14.14 | 21.06 | 18.53 |
| **2005** | 22.11 | 18.84 | 15.28 | 13.02 | 20.38 | 17.37 |
| **2006** | 18.99 | 15.67 | 12.01 | 9.91 | 17.25 | 14.24 |
| **2007** | 18.99 | 15.18 | 11.89 | 9.50 | 17.25 | 13.79 |
| **2008** | 18.99 | 14.70 | 11.66 | 9.03 | 17.25 | 13.35 |
| **2009** | 18.99 | 14.24 | 11.45 | 8.59 | 17.25 | 12.93 |
| **2010** | 18.99 | 13.79 | 11.25 | 8.17 | 17.25 | 12.53 |

# H. Historical and Projected ANS Production

| FY | (1) Prudhoe Bay | (2) PBU Satellites | Kupa ruk | (3) Kup Satellites | (4) Milne Point | (5) Endicott | Lis burne | Point McIntyre | Niakuk | (6) West Beach | Alpine | North star | (7) Known Liberty | Known Onshore | (8) Known Offshore | Fiord | Total ANS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **1978** | 0.702 | 0.0 | 0.000 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **0.702** |
| **1979** | 1.197 | 0.0 | 0.000 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **1.197** |
| **1980** | 1.421 | 0.0 | 0.000 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **1.421** |
| **1981** | 1.511 | 0.0 | 0.000 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **1.511** |
| **1982** | 1.531 | 0.0 | 0.039 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **1.570** |
| **1983** | 1.532 | 0.0 | 0.095 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **1.627** |
| **1984** | 1.539 | 0.0 | 0.118 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **1.657** |
| **1985** | 1.534 | 0.0 | 0.161 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **1.694** |
| **1986** | 1.555 | 0.0 | 0.238 | 0.0 | 0.009 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **1.802** |
| **1987** | 1.564 | 0.0 | 0.272 | 0.0 | 0.006 | 0.0 | 0.018 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **1.859** |
| **1988** | 1.605 | 0.0 | 0.287 | 0.0 | 0.000 | 0.069 | 0.044 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **2.005** |
| **1989** | 1.524 | 0.0 | 0.300 | 0.0 | 0.002 | 0.098 | 0.038 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **1.962** |
| **1990** | 1.396 | 0.0 | 0.300 | 0.0 | 0.011 | 0.103 | 0.037 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **1.846** |
| **1991** | 1.330 | 0.0 | 0.299 | 0.0 | 0.018 | 0.108 | 0.039 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **1.794** |
| **1992** | 1.300 | 0.0 | 0.316 | 0.0 | 0.020 | 0.111 | 0.037 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **1.783** |
| **1993** | 1.193 | 0.0 | 0.322 | 0.0 | 0.018 | 0.115 | 0.030 | 0.0 | 0.0 | 0.001 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **1.679** |
| **1994** | 1.082 | 0.0 | 0.308 | 0.0 | 0.018 | 0.099 | 0.020 | 0.059 | 0.002 | 0.004 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **1.593** |
| **1995** | 0.991 | 0.0 | 0.303 | 0.0 | 0.021 | 0.099 | 0.020 | 0.121 | 0.014 | 0.003 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **1.572** |
| **1996** | 0.890 | 0.0 | 0.283 | 0.0 | 0.022 | 0.089 | 0.015 | 0.147 | 0.024 | 0.002 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **1.474** |
| **1997** | 0.809 | 0.0 | 0.267 | 0.0 | 0.052 | 0.068 | 0.013 | 0.166 | 0.028 | 0.002 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **1.404** |
| **1998** | 0.713 | 0.0 | 0.260 | 0.001 | 0.053 | 0.058 | 0.008 | 0.152 | 0.029 | 0.000 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **1.275** |
| **1999** | 0.636 | 0.003 | 0.241 | 0.025 | 0.055 | 0.048 | 0.007 | 0.119 | 0.029 | 0.000 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **1.164** |
| **2000** | **0.570** | **0.004** | **0.212** | **0.037** | **0.053** | **0.044** | **0.009** | **0.079** | **0.025** | **0.002** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | 1.035 |
| **2001** | 0.549 | 0.009 | 0.193 | 0.031 | 0.053 | 0.039 | 0.010 | 0.061 | 0.019 | 0.001 | 0.036 | 0.000 | 0.0 | 0.0 | 0.0 | 0.0 | **1.000** |
| **2002** | 0.512 | 0.023 | 0.173 | 0.049 | 0.060 | 0.038 | 0.011 | 0.053 | 0.015 | 0.002 | 0.088 | 0.032 | 0.0 | 0.0 | 0.0 | 0.0 | **1.054** |
| **2003** | 0.479 | 0.036 | 0.159 | 0.067 | 0.065 | 0.037 | 0.010 | 0.047 | 0.012 | 0.002 | 0.090 | 0.064 | 0.0 | 0.0 | 0.0 | 0.0 | **1.068** |
| **2004** | 0.449 | 0.050 | 0.147 | 0.079 | 0.070 | 0.035 | 0.009 | 0.043 | 0.011 | 0.001 | 0.090 | 0.064 | 0.0 | 0.0 | 0.0 | 0.007 | **1.055** |
| **2005** | 0.419 | 0.056 | 0.137 | 0.083 | 0.074 | 0.033 | 0.008 | 0.039 | 0.009 | 0.001 | 0.090 | 0.064 | 0.035 | 0.0 | 0.0 | 0.022 | **1.072** |
| **2006** | 0.394 | 0.059 | 0.129 | 0.086 | 0.079 | 0.031 | 0.007 | 0.036 | 0.008 | 0.001 | 0.082 | 0.059 | 0.055 | 0.005 | 0.0 | 0.021 | **1.051** |
| **2007** | 0.373 | 0.062 | 0.121 | 0.085 | 0.076 | 0.029 | 0.006 | 0.034 | 0.008 | 0.001 | 0.075 | 0.054 | 0.052 | 0.028 | 0.0 | 0.018 | **1.022** |
| **2008** | 0.345 | 0.066 | 0.114 | 0.086 | 0.073 | 0.028 | 0.006 | 0.032 | 0.007 | 0.001 | 0.068 | 0.044 | 0.042 | 0.050 | 0.012 | 0.016 | **0.988** |
| **2009** | 0.328 | 0.069 | 0.108 | 0.091 | 0.070 | 0.024 | 0.005 | 0.030 | 0.006 | 0.001 | 0.062 | 0.034 | 0.034 | 0.064 | 0.015 | 0.014 | **0.955** |
| **2010** | 0.312 | 0.068 | 0.103 | 0.093 | 0.068 | 0.023 | 0.005 | 0.029 | 0.006 | 0.001 | 0.055 | 0.029 | 0.029 | 0.065 | 0.014 | 0.013 | **0.911** |

(1) Includes NGLs from Central Gas Facility shipped to TAPS.

(2) Sambuca, Midnight Sun, Polaris, Aurora and PBU-Schrader.

(3) Kup Satellites: West Sak, Tabasco, Tarn and Meltwater.

(4) Milne Point: includes Schrader Bluff and Sag River.

(5) Endicott: includes Sag Delta, Eider and Badami.

(6) West Beach includes North Prudhoe Bay State.

(7) Known Onshore: Sourdough and Point Thompson.

(8) Known Offshore: Sandpiper and Other.

# I. Historical Petroleum Revenue

| FY | Corporation Petroleum Tax | Petroleum Severance Tax | Petroleum Property Tax | Reserve Tax | (1) (2) Royalties | (1) (2) Bonuses & Rents | (3) (4) Petroleum Special Settlements | Total Petroleum Revenue | (5) Cumulative Petroleum Revenue | Total General Fund Unrestricted Revenue | Petroleum Revenue to Unrestricted General Fund |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **1965** | . | 0.3 | . | . | 8.4 | 7.8 | . | 16.5 | 102.4 | 83.0 | 20 % |
| **1966** | . | 0.3 | . | . | 8.0 | 13.3 | . | 21.6 | 124.0 | 86.5 | 25 % |
| **1967** | . | 0.5 | . | . | 9.6 | 11.4 | . | 21.5 | 145.5 | 86.6 | 25 % |
| **1968** | 0.1 | 10.2 | . | . | 17.0 | 24.7 | . | 52.0 | 197.5 | 112.7 | 46 % |
| **1969** | 0.1 | 5.6 | . | . | 24.7 | 4.1 | . | 34.5 | 232.0 | 112.4 | 31 % |
| **1970** | 0.4 | 7.9 | . | . | 27.5 | 903.1 | . | 938.9 | 1,170.9 | 1067.3 | 88 % |
| **1971** | 0.9 | 10.5 | . | . | 32.5 | 3.1 | . | 47.0 | 1,217.9 | 220.4 | 21 % |
| **1972** | 1.2 | 11.4 | . | . | 32.5 | 3.3 | . | 48.4 | 1,266.3 | 219.2 | 22 % |
| **1973** | 0.9 | 12.0 | . | . | 30.2 | 7.2 | . | 50.3 | 1,316.6 | 208.2 | 24 % |
| **1974** | 1.2 | 14.8 | . | . | 35.8 | 28.4 | . | 80.2 | 1,396.8 | 254.9 | 31 % |
| **1975** | 2.5 | 26.6 | 6.6 | . | 49.8 | 4.9 | . | 90.4 | 1,487.2 | 333.4 | 27 % |
| **1976** | 4.9 | 28.0 | 83.4 | 223.1 | 48.4 | 3.7 | . | 391.5 | 1,878.7 | 709.8 | 55 % |
| **1977** | 5.0 | 23.8 | 139.1 | 270.6 | 36.3 | 2.8 | . | 477.6 | 2,356.3 | 874.3 | 55 % |
| **1978** | 8.4 | 107.7 | 173.0 | 0.0 | 150.6 | 1.8 | . | 441.5 | 2,797.8 | 764.9 | 58 % |
| **1979** | 232.6 | 173.8 | 163.4 | 0.0 | 250.2 | 1.6 | . | 821.6 | 3,619.4 | 1,133.0 | 73 % |
| **1980** | 547.5 | 506.5 | 168.9 | 0.0 | 689.4 | 344.2 | . | 2,256.5 | 5,875.9 | 2,501.2 | 90 % |
| **1981** | 860.1 | 1,170.2 | 143.0 | 0.0 | 1,119.7 | 11.3 | . | 3,304.3 | 9,180.2 | 3,718.0 | 89 % |
| **1982** | 668.9 | 1,581.7 | 142.7 | 0.0 | 1,174.4 | 7.1 | . | 3,574.8 | 12,755.0 | 4,108.4 | 87 % |
| **1983** | 236.0 | 1,493.7 | 152.6 | 0.0 | 1,105.6 | 38.7 | . | 3,026.6 | 15,781.6 | 3,631.0 | 83 % |
| **1984** | 265.1 | 1,393.1 | 131.0 | 0.0 | 1,058.5 | 13.9 | . | 2,861.6 | 18,643.2 | 3,390.1 | 84 % |
| **1985** | 168.6 | 1,389.4 | 128.4 | 0.0 | 1,042.2 | 14.9 | . | 2,743.5 | 21,386.7 | 3,260.0 | 84 % |
| **1986** | 133.9 | 1,107.9 | 113.5 | 0.0 | 845.0 | 38.9 | 418.2 | 2,657.4 | 24,044.1 | 3,075.5 | 86 % |
| **1987** | 120.4 | 648.5 | 102.5 | 0.0 | 448.3 | 4.3 | 70.5 | 1,394.5 | 25,438.6 | 1,799.4 | 77 % |
| **1988** | 158.0 | 818.7 | 96.2 | 0.0 | 701.5 | 11.3 | 163.9 | 1,949.6 | 27,388.2 | 2,305.8 | 85 % |
| **1989** | 166.0 | 698.8 | 89.7 | 0.0 | 611.5 | 16.7 | 257.7 | 1,840.4 | 29,228.6 | 2,186.2 | 84 % |
| **1990** | 117.2 | 1,001.6 | 89.8 | 0.0 | 753.7 | 4.2 | 154.8 | 2,121.3 | 31,349.9 | 2,507.2 | 85 % |
| **1991** | 185.1 | 1,284.8 | 85.0 | 0.0 | 958.7 | 24.7 | 33.5 | 2,571.8 | 33,921.7 | 2,986.6 | 86 % |
| **1992** | 165.5 | 1,053.2 | 69.0 | 0.0 | 708.2 | 6.8 | 4.7 | 2,007.4 | 35,929.1 | 2,462.6 | 82 % |
| **1993** | 117.6 | 1,017.6 | 66.9 | 0.0 | 716.7 | 44.3 | 4.7 | 1,967.8 | 37,896.9 | 2,352.0 | 84 % |
| **1994** | 17.8 | 692.1 | 61.5 | 0.0 | 516.1 | 5.1 | 0.1 | 1,292.7 | 39,189.6 | 1,652.5 | 78 % |
| **1995** | 128.5 | 793.9 | 57.3 | 0.0 | 631.8 | 5.0 | 0.7 | 1,617.2 | 40,806.8 | 2,082.9 | 78 % |
| **1996** | 173.7 | 787.2 | 56.0 | 0.0 | 642.2 | 5.7 | 0.0 | 1,664.8 | 42,471.6 | 2,133.3 | 78 % |
| **1997** | 269.4 | 921.6 | 53.6 | 0.0 | 759.2 | 6.4 | 0.0 | 2,010.2 | 44,481.8 | 2,494.9 | 81 % |
| **1998** | 200.1 | 577.8 | 51.3 | 0.0 | 480.4 | 23.0 | 0.0 | 1,332.7 | 45,814.5 | 1,825.5 | 73 % |
| **1999** | 145.1 | 371.1 | 48.8 | 0.0 | 322.6 | 25.6 | 0.0 | 913.2 | 46,727.7 | 1,352.1 | 68 % |
| **2000** | 162.7 | 702.7 | 45.0 | 0.0 | 731.9 | 4.0 | 0.0 | 1,642.3 | 48,370.0 | 2,147.6 | 76 % |

(1) These categories are primarily composed of petroleum revenue, however, they include some additional revenue from other minerals (mostly coal).

(2) Royalties and bonuses and rents are net of Permanent Fund contribution and Constitutional Budget Reserve Fund (CBRF) deposits.

(3) Not subject to CBRF deposits.

(4) Tax settlements are in the CBRF.

(5) This table shows historical petroleum revenues from FY 1965-2000. The cumulative petroleum revenue total is based on revenue beginning in FY 1959.

# J. Historical General Fund Unrestricted Revenue

| FY | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **TAXES** | | | | | | | | | | | | | | | |
| **Property Tax** | 113.5 | 102.5 | 96.2 | 89.7 | 89.8 | 85.0 | 69.0 | 66.9 | 61.5 | 57.3 | 56.0 | 53.6 | 51.3 | 48.8 | 45.0 |
| **Alcohol, Tobacco, Fuel & Insurance Tax** | | | | | | | | | | | | | | | |
| Alcoholic Beverages | 13.3 | 12.6 | 12.1 | 11.8 | 12.0 | 12.2 | 12.0 | 11.9 | 12.0 | 12.0 | 12.0 | 11.6 | 11.8 | 12.2 | 12.7 |
| Tobacco Products | 4.9 | 6.6 | 6.1 | 6.4 | 11.0 | 14.0 | 14.3 | 14.0 | 14.1 | 14.4 | 14.2 | 13.7 | 15.4 | 15.2 | 16.3 |
| Insurance Premium | 21.1 | 23.7 | 23.7 | 19.4 | 22.7 | 24.4 | 25.5 | 26.3 | 26.1 | 27.9 | 28.2 | 28.4 | 33.7 | 28.4 | 28.7 |
| Motor Fuel Tax-Aviation | 8.1 | 8.5 | 9.0 | 10.1 | 9.4 | 10.7 | 10.7 | 6.4 | 6.9 | 8.0 | 8.2 | 8.1 | 5.3 | 5.6 | 10.6 |
| Motor Fuel Tax-Highway | 22.7 | 18.3 | 19.3 | 20.0 | 22.9 | 19.1 | 23.2 | 25.6 | 25.5 | 24.0 | 21.0 | 19.9 | 24.0 | 25.5 | 25.4 |
| Motor Fuel Tax-Marine | 5.3 | 5.4 | 5.3 | 7.2 | 9.2 | 10.0 | 9.4 | 8.8 | 8.1 | 7.6 | 8.5 | 7.3 | 6.3 | 6.7 | 6.1 |
| Total | 75.4 | 75.1 | 75.5 | 74.9 | 87.2 | 90.4 | 95.1 | 93.0 | 92.7 | 93.9 | 92.1 | 89.0 | 96.5 | 93.6 | 99.8 |
| **Income Tax** | | | | | | | | | | | | | | | |
| Corporation General | 11.2 | 20.5 | 23.4 | 38.0 | 45.3 | 37.9 | 33.7 | 25.1 | 44.3 | 67.0 | 53.3 | 48.4 | 53.4 | 53.8 | 56.3 |
| Corporation Petroleum | 133.9 | 120.4 | 158.0 | 166.0 | 117.2 | 185.1 | 165.5 | 117.6 | 17.8 | 128.5 | 173.7 | 269.4 | 200.1 | 145.1 | 162.7 |
| Total | 145.1 | 140.9 | 181.4 | 204.0 | 162.5 | 223.0 | 199.2 | 142.7 | 62.1 | 195.5 | 227.0 | 317.8 | 253.5 | 198.9 | 219.0 |
| **Severance Tax** | | | | | | | | | | | | | | | |
| Oil and Gas Production | 107.4 | 647.3 | 816.4 | 696.4 | 972.3 | 1253.8 | 1022.2 | 989.4 | 662.8 | 769.8 | 771.7 | 907.0 | 564.4 | 358.6 | 693.2 |
| Oil and Gas Conservation | 0.5 | 1.2 | 2.3 | 2.4 | 2.4 | 2.3 | 2.3 | 2.1 | 2.3 | 2.0 | 1.8 | 1.7 | 1.6 | 1.4 | 0.0 |
| Oil and Gas Hazardous Release | 0.0 | 0.0 | 0.0 | 0.0 | 26.9 | 28.0 | 28.7 | 26.1 | 27.0 | 22.1 | 13.7 | 12.9 | 11.8 | 11.1 | 9.5 |
| Total | 1,107.9 | 648.5 | 818.7 | 698.8 | 1,001.6 | 1,284.1 | 1,053.2 | 1,017.6 | 692.1 | 793.9 | 787.2 | 921.6 | 577.8 | 371.1 | 702.7 |
| **Other Natural Resource Tax** | | | | | | | | | | | | | | | |
| Salmon and Seafood Marketing | 1.1 | 1.4 | 2.7 | 3.3 | 3.3 | 3.3 | 2.8 | 3.6 | 5.8 | 7.9 | 8.6 | 7.6 | 5.6 | 5.3 | 7.2 |
| Salmon Enhancement | 4.3 | 4.4 | 5.8 | 9.5 | 6.5 | 6.2 | 4.2 | 6.8 | 5.0 | 5.7 | 5.2 | 4.2 | 4.2 | 3.9 | 5.3 |
| Fisheries Business | 21.1 | 26.5 | 22.5 | 26.7 | 25.1 | 31.1 | 30.1 | 42.2 | 33.9 | 39.0 | 38.2 | 31.0 | 28.5 | 25.9 | 36.7 |
| Fish Landing | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 7.3 | 7.1 | 7.3 | 3.8 | 5.9 | 5.3 |
| Total | 26.5 | 32.3 | 31.0 | 39.5 | 34.9 | 40.6 | 37.1 | 52.6 | 44.8 | 59.9 | 59.1 | 50.1 | 42.1 | 41.0 | 54.5 |
| **Other Tax** | | | | | | | | | | | | | | | |
| Estate | 0.7 | 1.1 | 0.3 | 0.7 | 1.1 | 3.3 | 1.0 | 0.9 | 1.6 | 1.2 | 1.7 | 1.7 | 5.5 | 1.7 | 2.5 |
| Other | 4.3 | 3.8 | 3.8 | 4.2 | 4.7 | 4.1 | 4.1 | 4.1 | 4.7 | 4.8 | 4.9 | 5.0 | 6.1 | 6.5 | 8.9 |
| Total | 5.0 | 4.9 | 4.1 | 4.9 | 5.8 | 7.4 | 5.1 | 5.0 | 6.3 | 6.0 | 6.6 | 6.7 | 11.6 | 8.2 | 11.4 |
| **TOTAL TAXES** | **1,473.4** | **1,004.2** | **1,206.9** | **1,111.8** | **1,381.8** | **1,730.5** | **1,458.7** | **1,377.8** | **959.5** | **1206.5** | **1228.0** | **1438.8** | **1,032.7** | **761.6** | **1,132.4** |

| FY | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Licenses and Permits** | 29.3 | 29.2 | 28.3 | 28.3 | 27.8 | 29.1 | 32.4 | 32.7 | 35.7 | 34.7 | 60.9 | 69.0 | 74.6 | 63.7 | 69.2 |
| **Intergovernmental Receipts** | | | | | | | | | | | | | | | |
| Federal Shared Revenues | 14.5 | 9.7 | 6.9 | 6.1 | 10.0 | 14.8 | 11.4 | 10.3 | 4.3 | 4.2 | 1.0 | 2.0 | 2.2 | 0.8 | 1.0 |
| **Charges for Services** | | | | | | | | | | | | | | | |
| Marine Highways | 32.3 | 31.3 | 29.8 | 33.1 | 34.0 | 40.7 | 42.3 | 40.8 | 40.4 | 41.5 | 38.5 | 38.6 | 37.1 | 38.8 | 38.3 |
| Other | 15.9 | 15.7 | 10.0 | 10.5 | 12.2 | 16.5 | 44.1 | 14.3 | 18.0 | 18.1 | 36.9 | 39.5 | 34.9 | 31.8 | 43.7 |
| Total | 48.2 | 47.0 | 39.8 | 43.6 | 46.2 | 57.2 | 86.4 | 55.1 | 58.4 | 59.6 | 75.4 | 78.1 | 72.0 | 70.6 | 82.0 |
| **Fines and Forfeitures** | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 9.4 | 8.2 | 37.7 | 12.5 | 46.2 |
| **Rents and Royalties** | | | | | | | | | | | | | | | |
| Mineral Bonuses, Rents, Royalties | 0.9 | 6.5 | 11.6 | 16.7 | 5.3 | 24.8 | 6.5 | 44.3 | 5.2 | 5.6 | 6.9 | 7.4 | 23.0 | 25.6 | 4.0 |
| Oil and Gas Royalties | 830.7 | 439.3 | 694.8 | 605.9 | 747.4 | 951.6 | 702.4 | 711.3 | 512.1 | 628.3 | 642.2 | 759.2 | 480.4 | 322.6 | 727.9 |
| Timber Sales | 2.9 | 7.2 | 1.1 | 0.5 | 0.8 | 0.4 | 0.6 | 0.6 | 0.4 | 0.6 | 1.5 | 1.9 | 0.8 | 0.3 | 0.3 |
| Sale of State Property | 8.7 | 7.0 | 3.8 | 4.9 | 4.3 | 4.7 | 1.0 | 4.0 | 9.0 | 21.8 | 8.1 | 8.6 | 8.1 | 10.6 | 9.4 |
| Total | 883.2 | 460.0 | 711.3 | 628.0 | 757.8 | 981.5 | 710.5 | 760.2 | 526.7 | 656.3 | 658.7 | 777.1 | 512.3 | 359.1 | 741.6 |
| **Miscellaneous Revenue** | 13.0 | 16.9 | 16.1 | 10.0 | 10.9 | 14.9 | 61.4 | 45.0 | 36.2 | 49.2 | 35.8 | 44.6 | 33.5 | 37.3 | 27.1 |
| **Interest & Investment Earnings** | 195.2 | 161.9 | 132.6 | 100.7 | 117.9 | 125.0 | 101.8 | 70.9 | 31.7 | 72.4 | 64.1 | 77.1 | 60.6 | 46.5 | 48.1 |
| **Sub-Total NON-TAX REVENUE** | **1,183.4** | **724.7** | **935.0** | **816.7** | **970.6** | **1,222.5** | **1,003.9** | **974.2** | **693.0** | **876.4** | **905.3** | **1,056.1** | **792.8** | **590.5** | **1,015.2** |
| Plus: Income from prior years | 418.7 | 70.5 | 163.9 | 257.7 | 154.8 | 33.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **TOTAL NON-TAX REVENUE** | **1,602.1** | **795.2** | **1,098.9** | **1,074.4** | **1,125.4** | **1,256.1** | **1,003.9** | **974.2** | **693.0** | **876.4** | **905.3** | **1,056.1** | **792.8** | **590.5** | **1,015.2** |
| **TOTAL TAX REVENUE** | **1,473.4** | **1,004.2** | **1,206.9** | **1,111.8** | **1,381.8** | **1,730.5** | **1,458.7** | **1,377.8** | **959.5** | **1,206.5** | **1,228.0** | **1,438.8** | **1,032.7** | **761.6** | **1,132.4** |
| **TOTAL GENERAL FUND UNRESTRICTED REVENUE** | **3,075.5** | **1,799.4** | **2,305.8** | **2,186.2** | **2,507.2** | **2,986.6** | **2,462.6** | **2,352.0** | **1652.5** | **2,082.9** | **2,133.3** | **2,494.9** | **1,825.5** | **1,352.1** | **2,147.6** |

(1) Starting in FY 1996, all General Fund program receipts are included in General Fund unrestricted revenue. FY 1996 also includes payments from the TAPS Liability Fund.

# K. Other Statutory Restricted Revenue From Table 29

| FUND NAME | ($ Thousand) FY 2000 | FY 2001 | FY 2002 |
|---|---|---|---|
| Agricultural Loan Fund | 1,793.7 | 1,949.0 | 1,946.9 |
| Veterans Revolving Loan Fund | - | 150.7 | 107.4 |
| Commercial Fishing Loan Fund | 175.0 | 2,836.4 | 2,873.8 |
| Real Estate Surety Fund | - | 273.5 | 273.8 |
| Student Revolving Loan Fund | 22.2 | 22.2 | 22.5 |
| Training and Building Fund | 570.0 | 581.7 | 582.6 |
| Rural Development Initiative Fund | - | 99.8 | - |
| State Employment & Training Program | | 4,806.2 | 4,560.1 |
| Small Business Loan Fund | - | 3.3 | 3.4 |
| Correctional Industries Fund | 3,500.0 | 3,500.6 | 4,150.6 |
| Power Project Loan Fund | 250.0 | 802.5 | 807.5 |
| Rural Electrification Revolving Loan Fund | 366.1 | 350.0 | 350.0 |
| Mining Revolving Loan Fund | - | 5.0 | 5.1 |
| Child Care Revolving Loan Fund | - | 5.8 | 6.0 |
| Historical District Revolving Loan Fund | - | 2.5 | 2.5 |
| Fisheries Enhancement Revolving Loan Fund | - | 333.1 | 332.6 |
| Alternative Energy Revolving Loan Fund | - | 151.7 | 151.7 |
| Bulk Fuel Revolving Loan Fund | - | 49.0 | 49.3 |
| Clean Air Protection Fund | 1,809.3 | 2,261.4 | 2,266.4 |
| Alaska Aerospace Development Corporation Receipts | 6,000.0 | 243.2 | 4,200.6 |
| Alaska Energy Authority Corporate Receipts | - | 1,049.5 | 1,051.9 |
| Test Fisheries Receipts | 2,793.7 | 4,039.8 | 4,010.8 |
| Alaska Public Utility Commission | 507.5 | - | - |
| Vocational Rehabilitation Small Business Enterprise Fund | 171.9 | 215.0 | 365.0 |
| RCA Receipts | 4,633.1 | 5,310.1 | 5,944.2 |
| Art in Public Places Fund | - | 75.6 | 75.6 |
| Public Building Fund | - | 7,814.1 | 6,951.4 |
| Technical Vocational Education Program Account | - | 3,425.0 | - |
| AK Fire Standards Council Receipts | - | 220.0 | 221.5 |
| State Land Disposal Income Fund | - | 2,512.8 | 2,751.0 |
| Timber Sale Receipts | - | - | 280.0 |
| Workers Safety and Compensation Administration Account | - | 1,500.0 | 2,500.0 |
| Alaska Oil & Gas Conservation Commission Rcpts | 2,608.6 | 2,770.7 | 3,111.3 |
| Investment Loss Trust Fund | 0.0 | 6,200.0 | 0.0 |
| **Total** | **25,201.1** | **53,560.2** | **49,955.5** |

In accordance with AS 37.07.060 (b)(4), the Revenue Sources book is compiled biannually by the Department of Revenue to assist the governor in formulating a proposed comprehensive financial plan for presentation to the Alaska State Legislature. Within the publication are shown prior year actuals, revised current year estimates and future year projections.

Anticipated state income is projected through the use of a number of data sources: (1) econometric models developed by the Department of Revenue to forecast unrestricted non-petroleum revenues; (2) a petroleum revenue model created by the department's Tax Division; and (3) estimates from individual state agencies.

We thank the various state agencies for their cooperation in computing anticipated revenues for publication in this document.

The Department of Revenue complies with Title II of the Americans With Disabilities Act of 1990. This publication is available in alternative communication formats upon request. Please contact the division's representative at (907) 465-3692 or (907) 465-3678 (TDD) to make necessary arrangements.

This publication was released by the Department of Revenue, Tax Division, 550 West Seventh Avenue, Suite 500, Anchorage, Alaska, 99501.
(http://www.tax.state.ak.us)

It was printed at a cost of $3.25 per copy to assist the governor in formulating a proposed comprehensive financial plan for presentation for the Alaska State Legislature, and printed in Anchorage, Alaska. This publication is required by AS 37.07.060.

Our Fall 2000 Revenue Sources Book is available on the web:

http:\\www.tax.state.ak.us